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ABSTRACT

This report covers the hearings on Senate bill 427, Public Works Employment Act of 1977, which provides $4 billion in new support for the public works employment program, to establish a program to provide employment, work experience, and skill training to youths in areas of aggravated unemployment, and for other purposes. Included are letters of support, a copy of the bill, and other correspondence, statements, and materials concerning public works employment, received from State Senators, city officials, hospital groups, Indian organizations, contractors, and others. (SH)

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PUBLIC WORKS EMPLOYMENT ACT OF 1977

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HEARINGS

BEFORE THE

SUBCOMMITTEE ON
REGIONAL AND COMMUNITY DEVELOPMENT

OF THE

COMMITTEE ON
ENVIRONMENT AND PUBLIC WORKS
UNITED STATES SENATE

NINETY-FIFTH CONGRESS

FIRST SESSION

ON

S. 427

A BILL TO PROVIDE ADDITIONAL AUTHORIZATIONS FOR THE PUBLIC WORKS EMPLOYMENT PROGRAM, TO AUTHORIZE A PROGRAM FOR EMPLOYMENT OF TEENAGED YOUTH IN COMMUNITY IMPROVEMENT PROJECTS, AND FOR OTHER PURPOSES

FEBRUARY 2, 3, AND 4, 1977

SERIAL NO. 95-H5

Printed for the use of the Committee on Environment and Public Works

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PUBLIC WORKS EMPLOYMENT ACT OF 1977

WEDNESDAY, FEBRUARY 2, 1977

U.S. SENATE,
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS,
SUBCOMMITTEE ON REGIONAL AND COMMUNITY DEVELOPMENT,
Washington, D.C.

The subcommittee met at 9:30 a.m., pursuant to call, in room 4200, Dirksen Senate Office Building, Hon. Quentin N. Burdick (chairman of the subcommittee) presiding.

Present: Senators Burdick, Randolph, Gravel, Morgan, Stafford, and Heinz.

OPENING STATEMENT OF HON. QUENTIN N. BURDICK, U.S. SENATOR FROM THE STATE OF NORTH DAKOTA

Senator BURDICK. We begin today the first of 3 days of hearings on S. 427, providing $4 billion in new support for the public works employment program. The bill was introduced by Chairman Randolph and myself on January 25 with a number of cosponsors. It now seems clear that the $4 billion figure accords with the wishes of the current administration.

S. 427 provides $2 billion for the period ending September 30, 1977, another $2 billion for the period ending September 30, 1978. That means enough flexibility that the full $4 billion could be appropriated before the end of this fiscal year if conditions warrant.

Title II of S. 427 amends the Public Works and Economic Development Act, creating a new title XI, youth community improvement program, authorized at $1½ billion for the period ending September 30, 1978.

Senators Stafford and Randolph, who also serve on the Labor and Public Welfare Committee, are the principal authors of this teenage employment proposal. Necessarily, our hearings will focus on the performance of EDA in the first round of expenditures of $2 billion, now nearly complete.

We will hear from EDA today. Tomorrow we will hear from the States, cities, counties, hospital groups, Indian organizations, contractors and others.

On Friday, we will begin at 10 a.m. rather than 9:30 and the first witness will be Juanita Kreps, the Secretary of Commerce. Perhaps you will have the administration's feeling on the bill and recommended changes in S. 427.

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Until then, our hearings will be largely of an oversight nature. We will want to know what went wrong and what changes we should make the next time around.

[The bill, S. 427, follows:]

95TH CONGRESS
1ST SESSION

S. 427

IN THE SENATE OF THE UNITED STATES

JANUARY 25 (legislative day, JANUARY 19), 1977

Mr. RANDOLPH (for himself, Mr. BURDICK, Mr. CULVER, Mr. DECONCINI, Mr. GRAVEL, Mr. HART, Mr. HEINZ, Mr. HUMPHREY, Mr. KENNEDY, and Mr. STAFFORD) introduced the following bill; which was read twice and referred to the Committee on Public Works

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A BILL

To provide additional authorizations for the public works employment program, to authorize a program for employment of teenaged youth in community improvement projects, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I—PUBLIC WORKS EMPLOYMENT

SEC. 101. This title may be cited as the "Public Works Employment Act of 1977".

SEC. 102. (a) There are authorized to be appropriated not to exceed $2,000,000,000 for the period ending September 30, 1977, for the purpose of making grants for projects

II

for which applications have been submitted under title I of the Public Works Employment Act of 1976 (90 Stat. 999).

(b) Projects eligible for such grants shall be those projects considered under title I of the Public Works Employment Act of 1976 (90 Stat. 999) prior to December 23, 1976, and not selected for funding and those projects for which applications under such Act were submitted prior to December 23, 1976, and not considered for funding under such Act because such applications were not received in a timely manner or in the judgment of the Secretary of Commerce were improperly rejected for consideration.

(c) Up to 2½ per centum of the funds appropriated under this section shall be available for projects requested by Indian tribes or Alaska Native organizations; and such funds shall be set aside as the exclusive source of funds for such projects before any allocation of the funds appropriated under this section among the States is made.

(d) Funds appropriated under this section shall be distributed and all grants under this section shall be made in accordance with the provisions of title I of the Public Works Employment Act of 1976 (90 Stat. 999), except that—

(1) in lieu of the provisions of section 108(d) of such title, 85 per centum of all amounts appropriated to carry out this section shall be granted for projects given priority under clause (1) of the first sentence of

section 108 (c) of such title, and the remaining 15 per centum shall be available for projects given priority under clause (2) of the first sentence of such section 108 (c);

(2) the Secretary of Commerce, acting through the Economic Development Administration, may require all State and local governments that have submitted applications eligible for funding under this section to submit the most recent unemployment data that are available, before consideration for grants under this section. Such Secretary may also require all such State and local governments to revise estimates of project cost, as appropriate; and

(3) in determining whether certain possible grants may result in an undue concentration of funds under this section in a particular area, the Secretary of Commerce, acting through the Economic Development Administration, may take into consideration grants made in such area under title I of the Public Works Employment Act of 1976 (90 Stat. 999), relative to the severity of unemployment in such area.

SEC. 103. (a) There are authorized to be appropriated not to exceed $2,000,000,000 for the period ending September 30, 1978, for the purpose of making additional grants under title I of the Public Works Employment Act of 1976 (90 Stat. 999).

(b) Projects eligible for grants under this section shall include projects eligible for grants under the provisions of title I of the Public Works Employment Act of 1976 (90 Stat. 999) and projects for construction, renovation, repair, or other improvements of health care or rehabilitation facilities owned and operated by private nonprofitmaking entities. The Secretary of Commerce, acting through the Economic Development Administration, shall receive and consider new applications for grants under this section in addition to applications received under title I of the Public Works and Economic Development Act of 1976 (90 Stat. 999). Any projects for which applications have been submitted prior to enactment of this section shall be revised and new information required to be submitted, as appropriate.

(c) Up to 2½ per centum of the funds appropriated under this section shall be available for projects requested by Indian tribes or Alaska Native organizations; and such funds shall be set aside as the exclusive source of funds for such projects before any allocation of the funds appropriated under this section among the States is made.

(d) Funds appropriated under this section shall be distributed and all grants under this section shall be made in accordance with the provisions of title I of the Public Works Employment Act of 1976 (90 Stat. 999), except that—

(1) in lieu of the provisions of section 108(d) of

such title, 85 per centum of all amounts appropriated to carry out this section shall be granted for projects given priority under clause (1) of the first sentence of section 108(c) of such title, and the remaining 15 per centum shall be available for projects given priority under clause (2) of the first sentence of such section 180(c);

(2) the Secretary of Commerce, acting through the Economic Development Administration, shall require all State and local governments that have submitted applications eligible for funding under this section to submit the most recent unemployment data that are available, before consideration for grants under this section. Such Secretary shall also require all such State and local governments to revise estimates of project cost, as appropriate;

(3) in determining whether certain possible grants may result in an undue concentration of funds under this section in a particular area, the Secretary of Commerce, acting through the Economic Development Administration, may take into consideration grants made in such area under title I of the Public Works Employment Act of 1976 (90 Stat. 999), relative to the severity of unemployment in such area;

(4) the Federal share for any project for which a grant is made under this section shall be 80 per centum

of the cost of the project, except that in the case of an Indian tribe or Alaska Native organization or in the case of a State or local government which in the judgment of the Secretary has exhausted its effective taxing or borrowing capacity, the Secretary may reduce or waive the non-Federal share; and

(5) the Secretary of Commerce, acting through the Economic Development Administration, shall promulgate regulations with respect to section 108 (e) and (f) of title I of the Public Works Employment Act of 1976 (90 Stat. 999) to assure that reasonable project areas are identified, for which the unemployment statistics supporting individual project applications are submitted. Such regulations shall follow the intent of such section 108 (e) and (f) to assure that grants are made under this section to the areas with the most severe unemployment.

TITLE II—YOUTH COMMUNITY IMPROVEMENT PROGRAM

SEC. 201. This title may be cited as the "Youth Community Improvement Act of 1977".

SEC. 202. The Public Works and Economic Development Act of 1965, as amended, is amended by adding the following new title:

"TITLE XI—YOUTH COMMUNITY IMPROVEMENT PROGRAM

"STATEMENT OF PURPOSE

"SEC. 1101. It is the purpose of this title to establish a program of community improvement projects to provide employment, work experience, and skill training to youths in areas of aggravated unemployment.

"DEFINITIONS

"SEC. 1102. As used in this title the term—

"(1) 'eligible applicant' means any State or local government or Indian tribe or Alaska Native organization;

"(2) 'youth' means an individual who has attained the age sixteen but not age twenty;

"(3) 'Secretary' means the Secretary of Commerce;

"(4) 'State' includes the several States of the Union, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, and the Trust Territory of the Pacific Islands.

"AUTHORIZATION OF APPROPRIATIONS

"SEC. 1103. There are authorized to be appropriated $1,500,000,000 for the period beginning on the date of enactment of this title and ending September 30, 1978, to carry out the provisions of this title.

"ALLOCATION OF FUNDS

"SEC. 1104. In allocating funds appropriated under this title, the Secretary shall take into consideration the severity of unemployment among youths eligible for assistance under this title residing in the areas under the jurisdiction of each eligible applicant: *Provided, however,* That not less than one-half of 1 per centum of all amounts appropriated to carry out this title shall be granted under this title for programs within any one State, except that in the case of Guam, Virgin Islands, American Samoa, and the Trust Territory of the Pacific Islands, not less than one-half of 1 per centum in the aggregate shall be granted for such projects in all four of these jurisdictions.

"COMMUNITY IMPROVEMENT YOUTH EMPLOYMENT PROGRAM

"SEC. 1105. (a) The Secretary is authorized, in accordance with the provisions of this title, to make grants to, and to enter into contracts with, eligible applicants to pay the costs of community improvement projects to be carried out by youths employed by such applicants. Community improvements projects include work on community capital improvements, which would not otherwise be carried out, including the rehabilitation, alteration, or improvement of public facilities; neighborhood improvements, including basic repairs to low-income housing; and conservation, maintenance, or restoration of natural resources on publicly held lands. Any eligible applicant may enter into agreements with the National Park Service or the United States Forest Service to carry out community improvement projects on lands administered by such agencies. Eligible applicants shall undertake to develop sufficient projects to provide twelve months of employment and training for each enrolled youth.

"(b) No grant may be made, and no contract may be entered into, under the provisions of this title unless the agreement evidencing such grant or contract provides assurances that—

"(1) the community improvement project is an eligible project which will be conducted in such manner as to permit the youth employed in that project who are in school to coordinate the job with classroom instruction and, to the extent feasible, to permit such youth to receive credit from the appropriate local educational agency or school involved;

"(2) youths employed in community improvement projects under this title shall be paid wages which are not lower than (A) the minimum wage which would be applicable to the employee under the Fair Labor Standards Act of 1938, if section 6(1) of such Act applied to the youth and if he were not exempt under section 13 thereof, (B) the State or local minimum wage for the most nearly comparable employment, or (C) the prevailing rates of pay for persons employed in similar public occupations by the same employer, except that the eligible applicant may make provisions to offset such wages by the reasonable cost of supervisory or administrative expenses and, where necessary, food, shelter, and transportation costs related to the employment of such youth, pursuant to such regulations as the Secretary may prescribe;

"(3) persons employed in necessary technical and supervisory positions assisted under this title shall be paid the prevailing rates of pay for persons employed in similar activities in the area. In the case of persons performing work of the type to which the Davis-Bacon Act, as amended (40 U.S.C. 276a—276a-5), applies, the prevailing wage will be determined in accordance with that Act;

"(4) the activities of the project subject to such agreement (A) will result in an increase in employment opportunities over those which would otherwise be available, (B) will not result in the displacement of currently employed workers (including partial displacement such as reduction in the hours of nonovertime or wages or employment benefits), (C) will not impair existing contracts for services or result in the substitution of Federal or other funds in connection with the work that would otherwise be performed, and (D) will not substitute jobs assisted under this title for existing federally assisted jobs; and

"(5) no person with responsibility in the operation of such an agreement will discriminate with respect to any youth or any applicant for participation in any eligible project because of race, creed, color, national origin, sex, political affiliation, or beliefs.

"APPLICATIONS

"SEC. 1106. (a) Financial assistance under this title may be provided by the Secretary only pursuant to an application which is submitted by an eligible applicant and which is approved by the Secretary in accordance with the provisions of this title and in accordance with the rules and regulations which the Secretary has promulgated governing programs to be funded under this title.

"(b) Each such application shall—

"(1) provide a description of the jobs to be filled, a listing of the major kinds of work to be performed to carry out eligible projects, and the approximate duration for which the participants would be assigned to such jobs;

"(2) provide a description of job training and skill development opportunities that will be made available to participating youth, as well as a description of plans to coordinate the training and work experience with school related programs including vocational training and the awarding of academic credit;

"(3) describe the wages or salaries to be paid youths and other persons employed in jobs and supervisory positions assisted under this title.

"(4) set forth assurances that there will be an adequate number of supervisory personnel on an eligible project and that the supervisory personnel are adequately trained in skills needed to carry out the project and can instruct participating youths in skills needed to carry out a project;

"(5) set forth assurances that any income generated by the project will be applied toward the cost of the project;

"(6) set forth such other assurances, arrangements, and conditions consistent with the provisions of this title, as the Secretary deems necessary, in accordance with such regulations as the Secretary shall prescribe; and

"(7) describe the organization and responsibilities of the administering local corporation required under section 1109 of this Act.

"PAYMENTS

"SEC. 1107. (a) The Secretary is authorized to pay any eligible applicant having an agreement under this title for that fiscal year the amount necessary to carry out that agreement, as determined by him.

"(b) Payments under this title may be made in installments, in advance or by way of reimbursement, with necessary adjustments on account of overpayments of underpayments.

"REVIEW AND AUDIT

"SEC. 1108. The Secretary and the Comptroller General of the United States, or any duly authorized representatives, shall have access for the purpose of audit and examination, to any books, documents, papers, and records of a grant or contract entered into under this title that are pertinent to the grant or contract.

"LOCAL CORPORATIONS

"SEC. 1109. To carry out the activities funded under this title, each eligible applicant shall establish or designate a local nonprofit corporation. The corporation shall include at least one representative for each of the following interests: the local government, local educational institutions, the business community, labor organizations, community based organizations, and the local manpower office. The Secretary in issuing guidelines and regulations shall include regulations concerning the organization and responsibilities of such local corporation.

"EDUCATION CREDIT

"SEC. 1110. The Secretary of Commerce in carrying out the purposes of this title shall work with the appropriate State education agency to provide that academic credit be awarded for work experience gained through this program.

"UTILIZATION OF OTHER FEDERAL AGENCIES SERVICES AND FACILITIES

"SEC. 1111. In addition to such other authority as he may have, the Secretary is authorized, in the performance of his functions under this title, and to the extent permitted by law, to utilize the services and facilities of departments, agencies, and establishments of the United States. The Secretary is also authorized to accept and utilize the services and facilities of the agencies of any State or political subdivision of a State, with their consent: *Provided, however*, That where any such facilities are not adequate or available, the Secretary is authorized to provide for the housing, food, transportation, and medical needs of youth employed in the national parks and national forests.".

Senator BURDICK. We are privileged to have with us the chairman of the full committee, Senator Randolph.

OPENING STATEMENT OF HON. JENNINGS RANDOLPH, U.S. SENATOR FROM THE STATE OF WEST VIRGINIA

Senator RANDOLPH. Thank you Mr. Chairman. I have a brief opening statement.

Our hearing today has a dual purpose. It gives us an opportunity to examine and analyze recommendations of those persons who give us the benefit of their views on the Public Works Employment Act of 1977, which I introduced last Tuesday. Second, it provides the members of the Senate Public Works Committee with their initial chance to work with the new administration in developing additional public works employment legislation.

One of the major tools in the Economic Development Administration's program is financial assistance for the construction or improvement of public works and development facilities. Traditionally public works programs have been the cornerstone of efforts to improve the economic base of communities and help solve unemployment problems by expanding the local economy to provide permanent job opportunities. A bridge project or water line to people concerned with jobs in the private sector not only serves its usual transfer purposes, but also acts as a conduit for permanent jobs.

The bill we are about to discuss will authorize an additional $4 billion for the current public works job program, and create a new $1.5 billion employment program for teenaged youth through community improvement projects.

Of this amount, $2 billion will be made immediately available to supplement the money for title I grants provided in the Public Works Employment Act of 1976. Over 20,000 applications totaling $25 billion were submitted for the original $2 billion worth of grant money in the 1976 act. The Economic Development Administration had temporary personnel assigned to the task of processing these applications. I have been told that throughout the holiday weeks of December, many, many dedicated hours of overtime were required, including weekends.

Another $2 billion will be available for possible future grants on a standby basis in the event that future economic stimulation is required. Such grants would be made at a Federal share of 80 percent.

Eighty-five percent of the grant money allocated to each State under this bill would be reserved for localities above the national unemployment average; 15 percent to those areas below this level but greater than 6½ percent. The current formula for allocating funds has left some low revenue communities with inadequate funding while the more prosperous ones have had substantial programs approved. In his proposal on economic recovery, submitted yesterday, President Carter asked the Secretary of Commerce to review the current 70/30 allocation formula to see if a change would be in the best interest of all program participants. We will have the opportunity to discuss this matter with Secretary Kreps on Friday.

Also, in his package of proposals concerning public service employment, the President suggested a program to take urban and rural young people aged 16 to 21 off the streets and place them in useful public work. This idea corresponds very closely to the provisions of title II of our bill, developed by Senator Stafford—the youth community improvement program.

This effort would be directed to teenagers, 16 through 19, with the opportunity for 1 year of employment and skill development in the rehabilitation, alteration, or improvement of public buildings and housing facilities or in maintenance, restoration and conservation of natural resources on public property, including national forests and parks. State and local governments as well as Indian tribes may sponsor these youth-oriented employment projects, which may also provide the participants with food, shelter, and transportation costs while they are employed. Nonprofit local corporations will administer the projects.

I reemphasize that the Public Works Employment Act of 1977, as introduced, is not viewed by this chairman as a definitive document. I believe that the witnesses at these hearings, under the chairmanship of Senator Quentin Burdick, through their testimony will offer suggestions to improve this legislation and aid the members in the preparation of a quality product.

I strongly endorse the concept, however, that public works investment is perhaps the best method available to us for the creation of worthwhile jobs which result in a beneficial product for the people of our Nation. I believe President Carter shares that view. I also believe Secretary of Labor Marshall and Secretary of Commerce Kreps share that view, along with the majority of my Senate colleagues.

Paul W. McCracken, former chairman of the Council of Economic Advisers, writing in the Wall Street Journal (Jan. 17, 1977), convincingly describes why public works now is a wise investment:

> There is, however, a case for stepped-up public works, and that case is quite simply that public works outlays have been lagging. The volume of public construction is now, in real terms, about 25 percent lower than a decade ago—in an economy that, in real terms, is 30 percent larger. Public construction is now so low, in fact, that the real value of public capital is probably not being maintained.

Unemployment remains too high across the country, particulary in the construction industry. This measure is but one of the creative ways of grappling with high unemployment in a sagging economy. It is intended to be a Senate initiative in responding to President Carter's call for $4 billion in additional public works jobs.

I look forward to a morning of interesting and stimulating testimony from the distinguished witnesses who have assembled to counsel with us today.

Senator BURDICK. Senator Gravel.

OPENING STATEMENT OF HON. MIKE GRAVEL, U.S. SENATOR FROM THE STATE OF ALASKA

Senator GRAVEL. Mr. Chairman and members of the committee, today the Senate begins participation in the fulfillment of President Carter's major campaign pledge, to provide a job for every able-bodied American. As everyone in this room knows, our Nation is suffering from severe unemployment that threatens to cause permanent harm to the economic and social fabric of our society. My colleague from Minnesota, Senator Humphrey, has done an excellent job in bringing information and data before the Congress to enunciate this problem. There is no need to reiterate the statistics here.

This committee is today considering legislation that would move on two fronts, to provide public works jobs and to create a program for youth employment on community improvement projects.

The local public works program has several attractive features that recommend it for extension. The emphasis of the program is on job creation in the private sector. The projects under this program are in capital investments such as schools, libraries, and municipal offices which, in turn, create staffing and maintenance jobs in the locality. Income is generated and recycled on the local level.

Before the extension is enacted, I hope this committee will address the implementation problems which have been raised by many municipalities. The problem of gerrymandering requires immediate attention to insure that labor market areas correctly correlate to census districts. In addition, I have been informed of several instances where a community has been awarded a major allocation without regard to the resources available to maintain a facility once it is built. Perhaps the committee should consider a process that would allow the Economic Development Administration to make limited subjective evaluations before a project is awarded.

In the area of youth unemployment, I applaud the efforts of Senator Stafford. However, I propose that the committee proceed cautiously. Youth unemployment is definitely a major priority of the 95th Congress. There are over 10 major proposals pending before the Senate in this area.

I have studied each of these proposals and have concluded that there are five recurring themes:

(1) Most proposals contain a mechanism to place youths in private sector employment.

(2) Several bills create a youth conservation program to do work on national parks and forests.

(3) Each proposal creates a mechanism to allow youths to perform small public works projects in communities.

(4) There is a strong requirement in each proposal to coordinate education with employment and offer training programs.

(5) Each formula to allocate funds for a youth program attempts to target low-income areas.

Senator Staffords' youth improvement program embodies several of these themes. However, I am concerned that unilateral action by this committee will restrict the options of the Congress and the President in terms of a comprehensive approach to youth unemployment. I hope there will be careful and extensive consultation between this committee and the Labor and Public Welfare Committee, which is also considering youth legislation, to devise a coordinated program.

Thank you, Mr. Chairman.

Senator BURDICK. We are privileged this morning to hear from Senator Humphrey, Senator Riegle, and, I believe, Senator Howard Metzenbaum. After those Senators have completed their testimony, we will hear from John Eden, Assistant Secretary of Economic Development, accompanied by staff people.

Our first witness this morning is Hon. Donald Riegle, Senator from the State of Michigan. Welcome to the committee, Senator.

STATEMENT OF HON. DONALD RIEGLE, U.S. SENATOR FROM THE STATE OF MICHIGAN

Senator RIEGLE. Thank you, Mr. Chairman. Let me say first of all I appreciate the opportunity to testify on S. 427, the Public Works Employment Act of 1977.

I am here because I have the strongest feeling that we have got to move on this and we have got to move on it quickly and in sufficient amount.

My own view is that public works of this sort are really a key part of an economic stimulus program which the country badly needs.

Now, let me say at the outset that I favor a figure of $4 billion, but I don't agree with the concept of splitting it into two pieces over a 2-year period. I think we have got sufficient projects evaluated, ready to go across the country. We have got the job needs across the country and I think we would be much wiser to commit that full amount rather than spread it over a 2-year period.

Bear in mind when we are talking about public works, we are talking about projects that take a while. In other words, they are projects that once commenced will continue until they are completed. In some cases that will take 2 years or longer. So to hold off and split this into two portions, I think, is not appropriate given the long-term recession we are trying to struggle our way out of.

I also strongly support the part of this bill that provides the $1½ billion for community improvement projects which would employ young people. I know in our State of Michigan we have a serious problem with young people who are a disproportionately high percent of the unemployed; not just in our State but in the country. I think it is essential that we have an earmarked program of that sort which provides constructive, meaningful work that can start to absorb some of our unemployed young people in the country.

If I may, because I think we may run into some opposition later—I assume the committee will report a bill with these basic features: the timing provisions may vary. But I think we will probably run into some objection from those who will argue that public works projects of this sort are either not appropriate to the kind of economic problem we face or that for some other reason—possibly worry about inflation or something else—that perhaps the country can't afford to move in this direction.

I think there are a number of very valid supporting arguments for why the public works projects of this sort are especially appropriate and why they would help us a good deal more than other things.

I want to run through that list, which will be a paraphrase of my testimony which I want to submit for the record. (See p. 97.)

First is that we are able to target these projects. The nice thing about public works projects is we can take them into areas of high unemployment and work out any kind of formula that seems equitable to apply more of the moneys in the areas of greatest need. That kind of targeting capability, I think, makes this an especially worthwhile tool for us to use.

Second, the construction industry, I think, as is now well known across the country, has probably been harder hit by the recession than maybe any other part of labor forces in the country. We have got communities in our State with the unemployment rate among building tradesmen as high as 90 percent. It ranges down from that point. So anything that can be directed to assist this one particular segment of the American labor force—and for that matter, the capital source as well in terms of the builders and the people in the construction industry—we are dealing with really a sector of our economy that has been living under depression conditions—not just recession conditions but depression conditions. And, as a matter of fact, unemployment in the construction industry has been running about 14 percent at the present time, which is almost double the national average, an estimated figure of about 620,000.

As a matter of fact, the number of people working in the construction industry has actually gone down. We have another 134,000 people that have become unemployed in that industry since March 1975, when the last administration indicated to us that the recession had officially ended.

Another way to measure this is the construction industry, which normally runs at about 10 percent of the gross national product, is today running at 8.6 percent, which again shows the additional hardship and damage that afflicts that part of the national work force and productive side of the private economy. And I think having the chance to come in and lift that sector makes great sense to us.

Another argument that I think we can use to sell this concept is the fact that for a variety of reasons, public buildings and public construction projects of one kind or another, whether they be parks or police stations or senior citizen housing or what-have-you, have fallen off sharply during the recession because there has been a falloff in tax revenues. Inflation has gone up—a tight municipal bond situation.

Inevitable cutdown has gone first to capital projects. You have got an enormous backlog of capital needs all across the United States. And, as a matter of fact, compared to 10 years ago, the overall national level of public sector construction has dropped by about 25 percent in noninflated dollars.

Another argument, and I think one of the most important ones, is the fact that we get more jobs per dollar spent in this form than any other way we know. I realize some will advance the argument that there is startup time and it may take a while to get these projects going. I don't think that is a valid argument. We have today more projects standing in line where the feasibility study has been done and they are ready to put people on the job in 90 days than we can begin finance. But it seems to me a compelling argument here is the fact we can create more jobs dollar-for-dollar with these kinds of justified, ready-to-go public projects than any other form I know.

It is estimated that the $4 billion that would be authorized in this bill would create about 300,000 jobs directly in the construction industry, another 300,000 jobs in supplier industries and probably 200,000 in spinoff and other sectors of the national economy. To get something on the order of 800,000 jobs coming out of what is a very inherently useful long-term public investment makes good sense to me.

Another argument that I think we ought to advance and use is the fact that this thing is ready to go. The Public Works Employment Act of 1976, which we approved toward the end of last Congress, indicated that the onsite labor of most of the projects funded under this act will begin by April 1 of this year. Beyond that, the EDA currently has a backlog leftover from the last round of funding of over 20,000 unfunded public works projects totaling over $20 billion on which the onsite labor could begin within 90 days.

Now, that to me is highly significant and it relates to some of the points I have made previously. But the fact we have got 20,000 projects across this land totaling $20 billion where people can be hired and put together within 90 days tells me this is as fast a way to deal with the unemployment problem as we are likely to find.

In our own State of Michigan, we have $1.7 billion in unfunded applications for the current public works programs. Given these backlogs, there is no reasonable argument that says this thing can't move quickly. As a matter of fact, everyone is straining to move with it if we make the money available.

Another argument I would like to advance is that, unlike a lot of other countercyclical economic tools, investments in public facilities of this sort provide a lasting long-term value to the community. In other words, while it is a one-stop, self-liquidated stimulation in terms of helping the economy and the unemployment problem, we end up with a public asset that will in most cases be around for decades. And the meaning of investing in something with a long-term purpose and a long-term intrinsic use and meaning to a community and the communities scattered across the country, I think gives this another very desirable feature we don't find in other kinds of economic stimulation tools that are looked at and talked about.

Another argument that I want to stress to the committee is the fact that these are also self-liquidating. So often when we start a Government activity of Government project of one sort or another to try to ease hardship, it becomes a Flying Dutchman, goes on forever more. That is not true with respect to public works projects. They are specific; they have a beginning, middle, and end; and when they are done, they become self-liquidating and provide almost the perfect kind of tool for us to come in and assist our national economic condition for a period of time. And when that is no longer needed, it all ends itself, self-liquidating. And I think that is another very strong argument for these kinds of public works projects.

Now, there is one specific problem that we have faced in Michigan with the last round of EDA funding which I really want to stress to you. You may or may not have heard about this.

As you know, the dollars that were made available were done so on the basis of a split at the point of the national unemployment rate, which was 7.8 percent. Seventy percent of the money was made available for communities that would be above that point and 30 percent would be made available to communities whose unemployment was below 7.8 percent.

Let me tell you what happened in a State like Michigan where most of our communities were above the national average. The people competing in the communities that were hardest hit in our State—we had 1,400 applications from communities that were above the national average. From those that were below we only got 98 applications, so we got less than one-fourteenth as many applications.

But then when the money was divided up, what that meant was there was a big gap here. The communities with incredibly high unemployment rates tended to in some cases get money; but those that would have been somewhere between 7.8 and up to 10 or maybe 12, basically got left out because there was too much competition because there were so many people in that especially suffering class of communities, whereas the community with the lower unemployment rate actually had a very much successful rate. Of the 98 applicants, 47, or essentially half of them, were funded; whereas in the cities that were in the worst difficulty, out of the 1,400 applications, only 57 got money.

There are a lot of communities in Michigan today that are upset because they took this on good faith, they prepared the applications, they had urgent public facility needs and so forth, submitted their applications and didn't get a dime—I mean, not 1 cent. Both of these technicalities in the formula and, I think, EDA's administration, prevented many middle-size and large cities from competing for these funds.

Cities like Flint, Lansing, Grand Rapids, Muskegon, Saginaw, Bay City, Kalamazoo, or Jackson, didn't receive 1 dime, despite the fact their unemployment rates were substantially higher than the national average.

To just give you a capsule of it, because it is just nonsense for these formulas to be allowed to work this way, in my judgment we didn't have one community in our State—seventh largest in the country—where the unemployment rate was between 7.8 and up to 10½, which would put it substantially above the national average, that got 1 cent of EDA money because of this crazy quirk in this formula.

So I would hope the formula could be reviewed. I would hope that it could be changed, but I don't think we have to hold the program up to do that. I don't think it takes months of genius-level work to find how we can come up with a better program. I think we can move in terms of getting this money out here.

Senator BURDICK. Do you have a recommendation as to the changing of that formula?

Senator RIEGLE. Let me say this: I am willing to help the chairman and the committee. I will give you as many hours of my own time as you like to think through that. I don't have a formula today to recommend, but if there is a serious interest in wanting to solicit a recommendation on that line, I would be delighted to offer some suggestions that I would think might help in States like ours with these abnormally high unemployment rates.

Finally, I want to stress again my support for the youth community improvement program portion of this bill. I think a billion and a half dollars that you propose to target in that area is crucial, because the unemployed young people between the ages of 16 and 20 make up roughly 20 percent of all the unemployed people in America, despite the fact they only comprise 10 percent of our total population.

In cities like Detroit the rate among young people is as high as 50 percent, so that part of the program, I think, is essential.

I would only conclude by emphasizing again—and I want to say also to the chairman of the full committee, who is here—how vital I think public works are as a way to really get people back to work. We have gone through elaborate processes of evaluation. They are standing in line. We have got unemployed workers who are ready to go to work.

I don't think $2 billion is enough. I think we ought to shoot the whole $4 billion in, and I think we ought to shoot it in right now, realizing that the life of some of these projects will be something longer than 2 years, in some cases less than that.

But rather than split this in two pieces, I would rather see us go out and provide these jobs and give the economy the kind of full shot in the arm it desperately needs, especially looking at what has happened with this energy program. I think we all know there is going to be a fall off in the GNP and a jump in the unemployment because of the savageness of the winter. If we are going to err, I think we ought to err on the side of getting the job done. We haven't done it up to now.

I appreciate the leadership that has been given by both sides of the aisle of this committee. I not only support you but I want to help you in every way I can to get this thing through the Senate.

Senator RANDOLPH. I do know of the interest of the witness and we have talked personally of the many problems that affect the State of Michigan.

We are grateful for you being here.

Senator BURDICK. Mr. Stafford?

Senator STAFFORD. Thank you, Mr. Chairman, I will be brief, also.

It is a pleasure for me to welcome my former colleague from the House, Senator Riegle, to the Senate and welcome him before this committee.

I am gratified that you do support the youth portion of the bill, which is a matter of particular interest to the chairman of the full committee, Senator Randolph, and myself.

I would assume, from what you said, that you believe that the 90-day startup figure we used in the current emergency public works bill is something you approve.

Senator RIEGLE. I do.

Senator STAFFORD. Your comments on the municipalities in Michigan that expected but didn't get money struck a responsive chord with me. In Vermont we had 20 communities out of 80 that got expected help, and I ended up with 20 happy and 60 mad. That made me think of my days as Governor of my State when I made a patronage appointment. I had one nonpartisan and six enemies. That is a situation we sometimes get in.

Thank you very much for your help and testimony.

Senator BURDICK. Senator Gravel.

Senator GRAVEL. I have no questions other than to commend my colleague for his preciseness. I think it will help solve the problem.

Senator BURDICK. Thank you, Senator, for your contribution.

Our next witness is the Honorable Hubert F. Humphrey, from Minnesota, who lives across the Red River from me.

STATEMENT OF HON. HUBERT H. HUMPHREY, U.S. SENATOR FROM THE STATE OF MINNESOTA

Senator HUMPHREY. I am very happy to live across the Red River or I probably wouldn't be here. You most likely would have had the seat from Minnesota.

Mr. Chairman of the subcommittee and the distinguished chairman of the Public Works Committee, let me say how pleased I am to have this opportunity of testifying before the subcommittee. I take this opportunity to quickly say congratulations and thanks for your initiative on the proposal that is now pending, the expansion of our public works program.

I think the American people have come to a point of view, a judgment, on the matter of how we should deal with the recession. I think they want results. I think they want to see the products of work.

I have a full statement here which I ask the Chair to make a part of the record.

Senator BURDICK. Without objection, so ordered.

[The statement appears at p. 100.]

Senator HUMPHREY. I should like to digress from the statement and just add a few of my own additional flourishes to what I have to say here, because I have thought a good deal about it. I am going to go to the Joint Economic Committee after this hearing, and Mr. Schultze, the Chairman of the Council of Economic Advisers, will be our witness. I have some questions I am going to put to him. I was privileged, along with others in the Congress, to visit with President Carter at his home in Plains, Ga., when he was the President-elect and to work together on what is known as the administration's economic package. I am very grateful for the President's leadership in that area. That economic package totals more than $30 billion over the next 2 years. It is a combination of tax rebates, public service jobs, emergency public works, additional assistance in the form of investment tax credit, or a tax relief on employers' taxes for employees, and it is basically a good program.

When I was asked, "Do you think it's enough?" I said, "Well, it is a good deal, it is a lot. But whether it is enough or not will be determined, I think, in the next few weeks." Weather, that is so unusually bitter this year and bad, causing disruption in industry and homes and communities, is taking a very big economic toll. And whether not the program that was designed in the months of December and early January is adequate to the needs of February, March, April, and the months ahead is still questionable.

I know that Mr. Lance, the Director of the Office of Management and Budget, on a television show this morning indicated that a review might be required.

Now, having said that about the overall economic situation—you know the facts on unemployment, and I don't need to burden you with those additional facts; we have been living with them—the only thing I want to point out is this. When we passed a public works program here a couple of years ago and it was vetoed, the veto was sent down because it was said that the program could not become operative before the recession was over. I want to remind this committee of what was said. The argument then was that emergency public works or public works of any kind had such a long startup period that the program would not take hold, that it would not get at the problems of unemployment until they were over. As the spokesmen of the administration were saying and Members of Congress as well were saying, the recession would be behind us before we ever got around to building the projects under the public works program. Therefore, the public works program would have an inflationary impact, pouring more resources into an economy that had already recovered.

Now, let's get rid of that nonsense.

Let me tell you, those who said that should have their mouths washed out, as mother used to do when we used words of profanity when I was a little boy. We used to get taken to the bathroom and mom got the soap and said, "We will clean up the language a little bit." I don't want to go to such old-fashioned extremes, but the experts that have been advising us, Mr. Chairman, have not been giving us good advice; or if they have been giving us good advice, they have been tripped up by the facts and by the economic realities which they did not see, plus some acts of nature. Nobody could have really seen the nature of this bitter cold winter that has taken an incredible toll. They say that over 2 million additional workers will be out of work and that many of the factories will not be able to get back into production until April.

Those are facts with which this committee and other committees of the Congress must deal.

Now, the issue is, does a public works program provide jobs? And the answer is an unqualified yes.

The issue is, can it provide jobs in a limited time frame? In other words, can we do it quickly? The answer is yes.

Senator Riegel testifying here, has already given you much of what I wanted to say.

There are over 20,000 applications on file with the Economic Development Administration. Now, every one of those applications has been approved by a school district or a water and sewer district or a city council or a board of county commissioners or a State planning agency. In other words, they have gone through all the processes, the legal processes, that are required by law. They have had the input at the local government level.

This is not a lot of make-work, a lot of leaf raking, although I say there is enough debris around the country to pick up with rakes so it wouldn't be a bad idea to have some raking programs today. When I see these cities and see the fences and the walls, you would think everybody dumped their newspapers and garbage along the roadways. So maybe we even need a little raking going on.

But that is not what we are talking about here. We are talking about projects that are needed. These are projects that are long overdue.

Let me tell you gentlemen of the committee what my view is. This country is privately rich and publicly poor. Let that sink in—privately rich and publicly poor.

Lots of private swimming pools, too few public ones.

We have too few of the things that are needed in this country for the people of America. When you want to go to a national park, you have to make a reservation way ahead. Our national park system is inadequate.

If you want to camp out, there are too few campsites. There are so many things that need to be done.

We are 15 years behind in our reforestation. We could put half a million men and women to work in our forests, cleaning up, planting trees. But you know what we have been doing? We have been doing with our forests what we have been doing with our fossil fuels—wasting them, cutting them down, failing to replant—all in the name of the budget, because we say we cannot afford it.

What you are saying is the grandchildren will pick up the tab. You express great love for the grandchildren, but you tell them they can pick up the tab later on when there might not be any trees at all.

I have worked with forestry a long time so I know what I speak of. When people tell me we ought to be careful how far we go in public works because it is going to be inflationary, I say that's got to be a bunch of bunk. You have over 7 million unemployed—and you will have 8 million unemployed; but you have 7 million in your last survey unemployed—and a goodly share are young people between the ages of 16 and 24; you have a work force that is waiting to go to work, that needs to go to work, that ought to be at work; you have money in the banks waiting to be used; you have community needs to be fulfilled. The only problem is the Government. That is the problem, not the people.

The banks have got the money, the workers have the skills, the young people are here waiting to go to work, instead of ripping off people on the streets.

You know, we are more willing to spend money for jails than we are for building recreation halls. And that is a fact. One of the largest public works programs of this country today is building jails, when we ought to be out building recreation halls and parks. We ought to be building water and sewer projects, taking care of many community facilities needed, everything from a neighborhood clinic to a water and sewer project, to a park, to things people need.

Now, the American people know this. The only people that don't seem to know it is people telling us what we ought to do about it. You know it. That is why this bill is here.

I want to say to Senators Randolph and Stafford and the other Members, you have put together here a sensible, reasonable, urgently needed piece of legislation. We ought not to even be testifying. We ought to be voting on it right now. Everyone who has got enough brains to come out of a storm knows we need this legislation.

I get so weary of all this business sometimes that I wonder if we really just go through the exercise.

Now, you mark my words, before this winter is out and before summer arrives there will be people saying, "Why didn't we act more quickly?"

Twenty thousand plus applications are waiting to be acted upon that have been approved, that have been filed and meet all the standards.

By the way, I want to compliment the EDA staff for doing what they did. We hear a lot about bureaucracy, but they were given a time frame within which to work and they got the job done.

I want to say that some of the regional and district offices could have had a little more flexibility. I had a go-around with the regional office in Chicago when they were telling me they put everything in the computer. I said, "You don't need any computer for Merrifield or Waverly. I am the computer. I know what is going on out there. Why don't you call me?" I didn't need to have them put that stuff through an IBM machine. I know what happens with a public works program.

Let me tell you, an old English professor of mine once said, "When you are going to write something, write something about what you know." I used to write these political things and he said, "Could you just write something about your hometown?" And I decided maybe that would be a better way to get a good grade. So I accommodated my old professor.

Let me tell you about my hometown. It is a little town, less than 600 people. We were having all the problems of the major cities—vandalism, youth crime, had to double the sheriff's detail in the county, drug abuse, all the same problems. Then last year, using the Neighborhood Youth Corps funds and getting some funds from CETA, I spent hours every weekend—I would get together with the local EDA people, local planning people—I spent hours over in the firehall in Waverly, Minn., and we put together a program.

We started to develop the lakefront, put in tennis courts, camping sites. We got the kids to work. You know what happened to the crime rate? It disappeared. They haven't been over in Buffalo in the county jail. They have been at work.

Now, that is what public works is. Public works is not only building something, it is saving lives.

The cost of this program that you are talking about will be saved in crime prevention. You put that down right now, because public works will hire a large number of young people, unskilled workers as well as skilled workers.

It is nothing short of a national shame that we have 15 percent of skilled tradesmen unemployed. The finest skilled workers are unemployed in the United States of America. And that is, of course, due to many things—monetary policies, fiscal policies, inflation, general recession—but it is an inexcusable thing.

So here you are with a high rate of unemployment. Here you are with 20,000 projects all over the country, with applications ready to be taken care of already and about 4,000 other applications which need some revisions but which could be ready for consideration within 1 week.

EDA assure me they have the staff to evaluate and approve $4 billion worth of new projects very quickly, $2 billion right away and another $2 billion within a month or so. Now, let me tell you that is quicker than the Congress can act.

If you could get this program out and passed and signed by the President, it would give more confidence in this country than anything you can do. The minute people begin to see something being constructed, they feel better and right away that intangible thing called confidence starts permeating the economy. But when people see nothing being done, when they know things need to be done, when they see us arguing this economics, microeconomics, macroeconomics, who knows all about that? I remember when I used to listen to Arthur Burns testify, he would testify about M–1 and M–2. My folks don't know what you are talking about, M–1. The people who listen to experts don't know what they are talking about either. I get them down and say, "Let's talk about money and interest rates and forget all the gobbledegook."

We are ready to go. We can do it. You are asking for $4 billion worth. I think that is a minimum.

The House of Representatives feels very much the same way. The administration's package is a little less than that, about $2 billion less.

This country is not going to go down the road to bankruptcy because you build something. Bankruptcy comes from wanton waste, throwing it away.

If I had my choice in the economic package, there would be less money for tax rebates and more for public works.

Now, I have been chairman of the Joint Economic Committee. I have listened to more witnesses than a dog has fleas. And I have listened to all the experts. But if you want to put people to work and if you want to put them to work on constructive projects that make them feel they are earning their pay, you put them to work on public works projects.

I believe in public service jobs and I believe in public service but they are no comparison to public works. Every town and city and county and township in America has some great need today that is unfilled, and we sit around here trying to figure out how to spend billions of dollars without building anything.

I don't happen to think the future of America depends on whether or not people have crackerjacks or popcorn. I think it depends on what we do with the basic fabric of our society.

When I think about national security, gentlemen—just think about it for a minute. This country has been paralyzed by a snowstorm, hundreds of thousands of workers laid off, transportation stopped. The Russians must be starting to go back to the power of prayer—you can't tell—to pray that we have snow and bitter cold weather, because weather has done more to cripple America than anything the Soviet Union has thought up.

Defense wants a billion dollars to beat the Russians and we don't know how to buy an icebreaker to get through the rivers. It is an outrage that the Ohio River should be stopped and choked because we don't have an adequate icebreaker. We should go and buy them from Finland. They are good allies and we ought not to have them depend on the Soviet Union. But the experts say, "We may not need an icebreaker for 5 or 6 years." I have got news for you. It is going to get cold again. I don't know a lot about meteorology, but I know a lot about my grandfather. He told me there would be cold weather every 25 years, and he is right. I was born in South Dakota. I didn't have the privilege, like the Senator, of coming from North Dakota. I was in the warmer climates of South Dakota. I saw on a TV show today from Wilmot and towns like I know, like my children know, places that I have been, the weather conditions, the soil, no snow, bitter cold, dust storms. I lived through all of that, gentlemen. I lived through it. I don't want to live through that again. That took my dad's life.

We need shelter belts. We ought to be planting trees. We are going to lose that topsoil again. Losing topsoil is a bigger waste than anything the Government can concoct. We talk about waste down here. Really we are very good at wasting, but when it comes to waste, you should see topsoil.

You have been there, Senator Burdick. You know of what I speak because we come from that part of the land.

It is a drought out there. We need water and sewer projects right in the State of Minnesota. We are running out of water. We need to dig wells. We need water and sewers. We need to extend our waterlines. Are we going to sit around and argue about that?

I heard this morning about Mitchell, S. Dak., the eighth largest city in South Dakota, George McGovern's hometown. They have water for between now and June. After that, no water.

Take a look at what is happening out on the west coast—Lake Tahoe, the lowest level of water in all its history.

We have problems ahead of us. We ought to be gearing up and not waiting until somebody hits us over the head with a sledgehammer. We got interested in the fuel question again when we started freezing. When factories close and kids come home, and momma and daddy can't send them off to school, we get interested again in fuel.

I have a suggestion for improvements in the bill but you will read my testimony.

There is the allocation formula, for example, that you are so familiar with. I suggest this committee should reexamine the requirement that 70 percent of appropriations be allowed for projects in communities with unemployment above the national average and 30 percent to areas below the national average, but above 6.5 percent. Enforcement of this requirement in each State has led to serious inequities. You have been getting letters and there is no need of me burdening you.

I think you could change that to 85 to 15 or remove the formula altogether. The main thing to do is get the program passed.

Now, somebody is going to goof it up and that will make a good headline. And journalists need work, too. They will go around and find some project that sombody loused up, because people are people. But I want to tell you, a program of public works in which even is a mistake is better than no public works.

Now, the public works program involves private enterprise. We call it public works, but the people that do the work are private indivduals, private contractors. They are paid money, they are given a check and they pay their taxes. They don't pay any taxes on unemployment compensation. They don't pay any taxes on food stamps or welfare.

We need to understand what our alternatives are. The choice is pile out more of the goodies for doing nothing or pile on projects where people are paid for doing something. I have a very simple formula. I would rather pay a man $250 a week for working than pay him $100 a week for not working. Now, that is a bit of an exaggeration, but I mean it. I think the important thing is for people to feel they have contributed something.

We used to have people complain about WPA. But to me, it looks better every day. When I go back to my hometown, there is the city hall; who built it? WPA. The school in the neighborhood town; who build it? WPA. The recreation hall up the road; who built it? WPA.

I am not asking that we go back to WPA, but I'm trying to point out one thing—that we built something, we created something. They were created 40 years ago, but they are still there, still operative, still doing their job.

We put in roads all across this country. Look what we did with the soil conservation program, with the ponds. There are more lakes in Oklahoma and Texas than there are in Minnesota, and they were man-created. That saved the water table. We are learning something.

Now, we can do it again; $4 billion is what you are asking for. That is a modest amount in this economy, $4 billion. Listen, if somebody came in with that from the Pentagon, you would say, "Are you just new? Are you just a second lieutenant?" You know, $4 billion represents two and a half Triton submarines.

Now, I know we need defense. I am not using that as a putdown on our defense. But we need something beside that.

EDA needs to be a little more sensitive to special needs of local areas when they select projects. We have had, as I told you a moment ago, a terrible drought out our way. We must give some emphasis to the needs of communities afflicted by that drought. We have 316 communities in Minnesota that had proposed projects for water and sewer and drought alleviation. Only 22 of those were approved. I want to tell you that doesn't help you very much, because the other 290-plus get on our back and want to know why we can't do something for them.

I want to mention that title which Senators Randolph and Stafford prepared relating to youth employment. I compliment you again. We have talked about this privately. I think it is a good beginning, but it is not enough. I want to be honest with you.

I suppose that is because I have a bill myself, S. 170, a bill on providing meaningful and productive work and placement services for youths. My bill goes a little further than yours. I think we need special legislation for youth unemployment.

Now, the Joint Committee has studied the problem of youth unemployment for 2 years. We have been in community after community. Many of our young people have no skills. Many of them are poorly educated. Many of them have never had any work experience. We have a massive task here, not only of counseling, but work programs in the schools.

We ought to have a program that helps private enterprise hire youth. I believe in on-the-job training. I know right away what they say: "You are going to give some employer a little subsidy to hire these kids and he really would have hired them anyway. It is really a ripoff."

I realize there will be some ripoffs. There is always somebody in the choir that will steal the hymnal, but you don't close up the church. There will be people who will abuse this, but you have to put young people to work. They ought to be working as much as possible in private enterprise.

You know, when I was your Vice President, I went around visiting communities where people were trained for jobs. I wish you could have been with me in New Orleans when a woman who had been on welfare 7 years—I remember she had five children—got her first paycheck from a private company. I want to tell you, it was an emotional experience. She was overwhelmed. She said. "At last I am free. At last I am a citizen. I am paying my share. I have earned my pay."

That wasn't a puton. That was just something that happened. I don't think that those of us who have been so fortunate understand what it means to go through the humilitation—if you have any sense of pride—of unemployment.

Now, you can condition a whole generation of young people to learn to live on what I call the shadow economy, to learn to live off the street, to live off welfare, to get by the ripoff and by cutting the edges. You can condition them so they will never want to work.

That is the worst thing that can happen in this country. That is a greater threat to our security than any Russian bomb or intercontinental missile. We have to find a way to overcome youth unemployment.

And I don't think it will be easy. I know it will not be easy. If it were easy we wouldn't have to meet here. You have the beginning in this bill. I think we ought to go further, and I ask that the proper committees look at expanded legislation.

I see Senator Heinz here. He knows what needs to be done on our railroads. There are trains falling off the track in my State and they are not even moving. You know that is true, Senator Heinz. That is true. We have these big unit trains that bring in coal. The roadbed is so bad it crumbles under the weight. But we have hundreds of thousands of young men that are healthy, husky, who ought to be out there building railroad trackage.

Instead of figuring how you can hand them a subsidy, put them to work. Give them a job.

Oh, I know, it is going to cost some money, but I remind you, we are not going to get out of it anyway. It will cost more if we do nothing, because the social costs of unemployent are greater than the economic costs. The economic costs of unemployment are the checks that we hand out, the welfare, the food stamps. The social costs are drug abuse, alcoholism.

Youth unemployment and crime are absolutely parallel. We have a study that was conducted for the Joint Economic Committee. It was such a good study that the United Nations Development Fund took the study and put additional money in it so they could thread it to Britain, France and other countries. It shows the incontrovertible fact that as unemployment rises, crime goes up. You wait to see what happens to the crime wave if this cold weather continues. When people are out of money, when they have nothing to do, even if it is cold on the streets, you will see what happens.

And what does it cost to process a crime? We don't ever figure out what it costs to process it. We figure out what it costs to put somebody in jail. In a large metropolitan area, it costs $8,000 to $10,000 per year for every juvenile arrest. You can hire a lot of young folks for $8,000 to $10,000 a year.

Well, I get warmed up on this. It is a good time to get warmed up. I am an impatient man and I think the country is impatient. I have told the President this and I have told Ray Marshall this. I have told Mr. Blumenthal, Secretary of the Treasury. I have told Mr. Schultze, the Economic Adviser. And I don't intend to be a patsy for any administration or anybody else. I think the time has come to speak up and act.

I see people here that have acted. There is one of our Senators that is a new Senator. He and I have talked. This has nothing to do with party politics. This is whether we are going to build America or whether we are just going to let it fritter away. This is a question of whether you are going to put your people to work or sit around and talk about it.

When we vote for a pay increase for ourselves and we haven't even found a way to put people to work, I think it is going to look a little funny—not even a little funny: it is going to look mighty, mighty difficult for us and for the public.

I would like to see a public works bill come out of here fast. The House is ready. The majority leader of the House, the Speaker of the

House, I heard speak up to the President of the United States for a jobs program.

All the tax reforms in the world will be helpful, to be sure. I want to see tax reduction. I want to see economic stimulus. But now the time is at hand to put the emphasis upon job creation.

Tax reduction is "trickle down." Public works "percolates up." And I am a percolator, not a trickelator.

Senator Burdick. Thank you, Senator Humphrey.

Senator Humphrey. I will leave a copy of my statement here. It is a very immortal document.

I urge my distinguished colleagues, Senator Randolph and Stafford, to take a look at a copy of my bill on comprehensive youth employment so we can join together on what needs to be done.

Senator Burdick. Under our time frame, Senator, I think you would be pleased to know we are scheduling hearings all the rest of this week, ending Friday, and the markup is scheduled for Tuesday afternoon.

I think you will get the speed that you requested.

Senator Humphrey. I think the Public Works Committee of the U.S. Senate ought to get a national citation for its action. This committee has done more work, gotten out more programs. It has had trouble getting them signed sometimes. But now that we have got a new President, we will test him and see if he wants to sign. I think he will. We don't need to talk about the past, but you have done your job and I compliment you on your time frame.

Senator Burdick. We appreciate your testimony, but I am sure the young people in the back of the hall also appreciate it. They are high school and junior high students from St. Louis, Mo., brought up by Closeup, a private nonprofit foundation.

Senator Randolph?

Senator Randolph. Thank you very much, Mr. Chairman.

Getting nostalgic for a moment, I helped to write the WPA legislation.

Senator Humphrey. We were talking about that yesterday.

Senator Randolph. It was referred to as leaf-raking. It was just the opposite, as you know. Senator, the work that we have done which has been advocated so effectively by you today, has been labeled too often as porkbarreling. Do you realize that?

Senator Humphrey. That is the result of a journalism student boils down to. It has no relationship at all to the facts of life. The porkbarrels that we have out home in Minnesota are courthouses, water towers, firehalls, roads, streets, culverts. Now, if that is porkbarrel, all I can say is: I am going to go to church Sunday and pray for more of it.

Senator Randolph. We have brought public works bills to the Senate floor, and have been constantly faced with, not only the threat, but the actuality of veto. Over and over again the public works bills have been vetoed. Now, 5 years later, still the veto.

I don't believe that that will happen now. I am not trying to compare administrations; that is not my purpose. But I do think there is now not only an awareness, but an understanding of the need for programs such as you come today to very colorfully advance. Also your evaluations are correct.

Senator Humphrey. It is an investment.

Senator RANDOLPH. It returns not only 100 cents on the dollar, but it also pays a dividend.

You have spoken of these dividends today which are so very important.

Continuing the idea that I have, to give to witnesses the opportunity to speak as you have spoken, I will not ask questions or even set forth some thinking that I have. I believe our responsibility is to the witness here this morning.

Again, thanks very much.

Senator HUMPHREY. Thank you. May I suggest to the committee that this morning's Washington Post carries an excellent article by Vernon Jordan, supporting what we are attempting to do. Vernon Jordan is one of the great citizens. He mentions youth particularly and the urgency of job-creating measures like you have here.

Senator RANDOLPH. Senator Jackson and I have introduced what we call the youth conservation program. I think there is the real satisfaction that that effort was very helpful to maintaining the forests. I think the program is very modest, but I think it can be expanded.

Senator BURDICK. Senator Stafford.

Senator Stafford. Thank you.

I just want to say, Senator Humphrey, that your statement has been stimulating to me and very well put. I can assure you that this Senator will review your youth employment bill and compare it with our own and see if we cannot work out the best aspects of both.

Once again, to briefly get to the 70 to 30 or 85 to 15 formula, I notice you said, "or possibly eliminate it altogether." Do you have any strong feelings between them?

Senator HUMPHREY. I think 85 to 15 is preferable.

Senator STAFFORD. Thank you.

The present program requires a 90-day ability to start up contracts by the municipalities that may get an award under the present EDA program. Do you feel we should continue that 90-day startup requirement?

Senator HUMPHREY. I think it would be helpful. It keeps the pressure on. I do not think there is any doubt that they can start up within 90 days even if it is bitter cold.

By the way, some flexibility is necessary. Minnesota lost some applications that didn't get in this time because we had the first big snowstorm of the winter on December 3 and the airports were closed down. The mail didn't get delivered and the planes didn't fly. Some of the applications that were late in being processed, because there was pressure to get them processed quickly. They were 2 or 3 days late going through the mails and arriving. Again, just a little commonsense helps. You cannot write regulations on everything. You have got to have a little adjustment.

Senator STAFFORD. Thank you, sir. I think you have made a real contribution to this committee.

Senator BURDICK. Senator Gravel?

Senator GRAVEL. Thank you, Mr. Chairman. There is one thing I think Senator Humphery failed to mention in what was just a great statement as to what the problem is in the country.

You alluded to it and I would just like to underscore it.

When you are talking about paying welfare, you are monetizing welfare, which causes inflation, which is the scourge of everybody, of the employed. You well know when you are talking about forests, we can increase the growth of our forest in Alaska by a decade just by precommercial thinning. Under normal circumstances, this process is uneconomical. Monetization of capital investments works to the benefit of the entire community, including the employed.

The same thing on cleaning up our creeks for fisheries. We can increase our fisheries production, which is more protein, more food, more economic return, if we can make these capital investments. When you monetize that, you put in motion a deflator on our economy.

So when you are talking about the benefits of this job program, it is not just for the people you are going to employ, it is for the benefit of all the people who are employed, because you are going to bring deflation as opposed to inflation.

Senator HUMPHREY. A very astute observation. You are absolutely right, Senator.

Senator GRAVEL. I would share your views with respect to expanding the whole youth program. I think we have started out very strongly with the leadership of both Senator Randolph and Senator Stafford. I note that they both serve on the Labor Public Welfare Committee, and that we have some problems with CETA in conflict in this regard.

I think it would be easy for the committee to pump out $4 billion. I am just going over an article that was published in Fortune magazine where it is noted that youth unemployment is not the conventional unemployment of the past. We have got to go at this very surgically and that is going to take a little bit of time so we do not have a lot of duplication.

I would like to see youth conservation, CETA, and the program that you are projecting all brought together under one national effort so we could put the bucks there and at the same time know we are not going to see duplication. If we could come with that to the floor by the time the bill comes back from the House, I think we could target it so it will all happen together. I think we may even need joint hearings with the Labor Committee.

Senator RANDOLPH. Senator Jackson has discussed with me the possibility of what you are saying, because it does seem to me these programs can be fitted together. And even if we take 1 day or 2 extra days for that portion, I think it would be helpful.

Senator GRAVEL. I just would like to underscore one other point made by Senator Humphrey, which apparently galls you as much as me. Every time I go into New York City—and I don't cite New York City as an example, only in this regard, because it is somewhat universal around the country—when you see places as you drive in from the airport and you see the hulks, the streets strewn with rubbish and you know that is an area of the city that is receiving a lot, of welfare checks. I don't think it is too much to ask the old addage, to see a little bit of godliness, which is cleanliness.

I think part of the programs should not only set youths up in the woods of Alaska or Minnesota or in the parks, but in addition send them right downstairs at the bottom of their tenement and sweep the streets. They do it in Paris, other places.

It was in the Philippines I saw a city, which has a lot more poverty than we have; it was meticulous, just meticulous.

There is no reason why we cannot do the same thing. I think that would be the first step to instill some pride in our community. And I would hope these funds could be directed in this direction, to go out and clean up some of these towns.

Senator HUMPHREY. There is enough to do, Senator. I am sure the amount of money we can put in will not be adequate for the needs, but this is a much better proposal than anything we have had. I want to say to Senator Randolph that your initiative here on youth is the trigger we need. My bill takes what you have and what Senator Jackson has as kind of a composite. We always like to see our name attached to it, but that is not that important. You have taken the initiative here and you have a chance, I think, to really run with the ball. And I hope that you will.

Senator GRAVEL. I would only add there is another benefit that is not generally appreciated. When you start working into these programs, you are going to be working into feeding these people, improving their diets. Not only are you going to help their mental health, but you are going to really build a physical generation with physical prowess that we wouldn't see otherwise. I think that will stand us in good stead.

I want to subscribe to the great words of Senator Humphrey.

Senator BURDICK. Senator Heinz.

Senator Heinz.

Senator HEINZ. Thank you, Mr. Chairman. I would like to commend the Senator from Minnesota for his usual more than effective presentation. I think he touched on a number of pertinent points not only in his brief informal remarks but in his written statement.

I commend you, Senator Humphrey, for your very specific suggestions in a number of areas, particularly the suggestion that we find a fair, rational way to identify the labor markets, which I think is particularly important. I thank you for urging this committee to continue its efforts to expand title II, the youth employment title that Senator Stafford and I and others have cosponsored.

I might add that I was in Erie, Pa., 10 days ago when it was still possible to get to Erie, Pa. The community leaders group, which included the Urban League people, the NAACP, and the chamber of commerce, agreed that even though they welcome this initiative, which is focused on youth, 16 to 19, I believe, there was considerable agreement that that age group should be expanded, Senator, with which I fully agree, perhaps 14 to 21, 14 to 24.

One question I would particularly like to ask of you, as you touch in your public statement on the question of what I would call essentiality, that is to say, there are ones who might say that water and sewer money, which is necessary for protecting public health, might have a higher priority than recreational money for a swimming pool, even though we recognize there are inadequate recreational opportunities for many disadvantaged as well as not so disadvantaged people.

I was wondering whether you felt there was any particular way we could accommodate ourselves to addressing this issue.

Senator HUMPHREY. Well, I outlined in my statement my ideas for giving the elected officials more say in the project selection process. I thought that the EDA's formulation should be a little more flexible.

Senator HEINZ. If I may interrupt, I did notice that. The problem that arises is a particular elected official from, let's say, Sharpsburg Borough, Pa., probably only has one project and it might be a swimming pool. The borough next door might have a water and sewer project and there is no overall kind of regional plan. One suggestion is to look to an A-95 agency as someone who could make some kind of comment.

Senator HUMPHREY. I think that would be helpful. Essentiality is a tough one. I just pointed it out because when you have limited funds there is always someone saying: Why did they build a courthouse when another community was desperately in need of a water program or a sewage program or something like that.

It is a tough one.

I think you have to rely a good deal on local officials. They are going to make some mistakes, but it is their mistakes. You have your basic standards, but I like to have some flexibility within those standards, because the folks back home have to live with these projects. They have to take the heat if they are wrong, or plaudits if they are successful.

If there is a contest in the community over a project—a school board has one and water and sewer district may have another and the city council has another—I think that has to be ironed out as the local level.

Now, on the Federal level, that is a tougher problem, Senator Heinz, and I didn't do too well in my statement. I just called it to the attention of the committee, because there is a critical analysis made, just as you pointed out.

One community may actually have high unemployment or relatively high unemployment, and they come to the conclusion they need a swimming pool. Now, to somebody else down the road that may be nothing but sheer luxury. I think this has to be determined by the people who are going to use it, who will be responsible for it, and who will have to face their own citizenry. So the benefit of the doubt ought to be given to the local area, and particularly to the local EDA, the district EDA offices. Give those people the chance to make some decisions.

In my State, most of our decisions are made out of the Chicago regional office, and we had cooperation from the regional office. I could say that we had good cooperation.

Senator HEINZ. Finally, Senator Humphrey, I want to thank you especially for your generous remarks for the need to put a lot of people to work rebuilding our railroads.

Senator HUMPHREY. When that defense budget comes up, you are going to hear from me, because transportation is the key to national security. We have two great keys to our national security. One is energy, and the other is transportation. We have relied on the interstate highway system. That is a great addition to our transportation in America. But this country, with a trillion, eight hundred billion dollar economy, needs a railroad system second to none. And it isn't just cars and locomotives, it is roadbeds. At the same time when you have strong available people to work on roadbeds, you ought to have a program that does it.

Senator HEINZ. As the Senator knows, I do hope it will be possible for the Senator from Minnesota and other interested Senators to join with me when I introduce——

Senator HUMPHREY. I plan to be with you.

Senator HEINZ. I want to submit, without objection, for the record, testimony prepared by local government officials and other eligible applicants from across Pennsylvania. The importance of listening to these people cannot be overemphasized, because they have been affected most directly by the program and they best know the problems and the benefits that were created by last year's Public Works Act.

The remarks of these local officials reflect a variety of critical needs within individual communities. Despite the different perspective each one brings, it is crucial to recognize from the outset that they all agree the Public Works program must be extended.

In summarizing the comments of the local officials from Pennsylvania who are submitting testimony, I want to point out that the Economic Development Administration was generally praised for its ability to implement the public works program in a relatively short period of time. I would also note, however, that the pressures of time did take its toll on the localities. From my reading of their testimony, many local officials felt they did not have sufficient time to prepare their applications with the care they may have liked.

These local officials have expressed an additional concern with which this committee should be familiar. In their testimony, these officials generally agree that unemployment figures would be used in a way that more fairly reflects the needs of the applicant's area, rather than those of an adjacent area. Only in this way areas in the greatest need be assured of getting the help they deserve. As an additional suggestion for insuring a fair distribution of resources, many local officials from Pennsylvania have wisely recommended that localities be asked to put their funding applications in some order of priority.

The content of these remarks has deepened my sense of responsibility as a member of this committee, and I know my colleagues join me in commending these citizens for their extensive knowledge of the program, its purpose, and its goals. In almost every case, these applicants have indicated the merits of their projects as related to favorable long-range impact, provision of necessary services, and immediate employment. And they have proven the strength of their commitments in case after case by spending substantial amounts to prepare their plans. They have provided evidence of their trust in us, and we must work to see that an extension of the program deals fairly with their concerns.

Senator BURDICK. They will be received for the record.

[The material referred to by Senator Heinz may be found, alphabetically arranged, in the appendix, p. 411.]

Senator RANDOLPH. A final comment. Senator, you mentioned the Ohio River. There is more tonnage moving on the Ohio River—of course not during this period of bad weather—than we had 5 years ago, then we had 10 years ago. In 1962 a total of 85 million tons were transported, 10 years later that figure had risen to nearly 139 million tons. And yet the projects on the Ohio River, the locks and dams, the improvements for navigation, have been labeled boondoggles, porkbarrel, when we have increased the validity of the river to handle the movement of products needed so much in the economy of all the area on both sides of that river and into other sections of the country. And now there is perhaps some result. We don't want it to come in this way, because of the difficult weather, but they are realizing, with the almost total lack of the movement of river traffic, that they have been cut off from the supplies that are absolutely necessary. So sometimes a problem like we have had here for over a month does cause people to begin to realize the values, frankly, of the Ohio River and the other rivers, that provide the bosom on which the products of the farm, factory, field, and the mine are moving. Do you recognize that?

Senator HUMPHREY. Absolutely, Senator. The Ohio is as important to commerce as the aorta is to the circulatory system. Up my way we are very interested in the Mississippi and the Great Lakes; They are frozen up. It cuts our commerce and that hurts our job situation. Again, we need icebreakers. We need to keep the Great Lakes open. I read in the paper and hear about the Chesapeake Bay being frozen up. This is ridiculous when they can keep Murmansk up there in Siberia open; the Russians keep it open year round.

Senator GRAVEL. Anchorage is open year round, too. They said it couldn't be done.

Senator HUMPHREY. Sure, it can be done. They say you might not need an icebreaker. You don't need a fire department everyday, either, but you'd better have one. I don't think we need a B–52 every day, but I think we'd better have some. We have got a lot of them lying around not flying. We don't have to fly them every day. If the Port of Baltimore is sealed off and we are in a national emergency or a war, that is like cutting off one of your arms. And if you have the Great Lakes, Lake Superior, Lake Michigan, that channel that goes from Duluth, down to Cleveland, and the great iron processing industries, if that lake is sealed off for 2 months a year, you are destroying a large amount of your economy. And for a few million dollars, Mr. Chairman, for a few million dollars we can have the icebreakers necessary there.

Now, Senator, your old friend and mine, Congressman John Blotnik of Minnesota, now retired, has been fighting for this for years. His successor is doing it now. I will get my licks on it right now because we need the most advanced form of transportation and we need to keep every river and every harbor and every lake that is used for transportation open 12 months a year. There is only one way to do it in the northern climates—icebreakers, and we just as well make our minds up about it.

Senator BURDICK. I haven't asked you one question yet. I am only going to ask you one. Some of our opponents have stated that this program is going to cost too much money and they made such statements as this is costing, the public works part of it, $24,000 or $25,000 a job. First, I want you to comment on that proposition and also the proposition of whether or not, if that premise is correct, do not these jobs have a tremendous multiplier effect on the economy?

Senator HUMPHREY. First, Senator, I dispute the fact it will cost $24,000 or $25,000 a job. I will ask the Joint Economic Committee to give you their evaluations, and also the Council of Economic Advisers has made a study on this.

But let's take the figure. Let's assume it costs $24,000 per job. You are not just talking jobs. You are getting assets. It isn't as if you are just employing somebody. What you are doing is buying materials. It spreads through the whole economy and it leaves a product that is fabricated, designed, and processed on location. So $24,000 a job, that is like saying that you are building an airplane and it costs so much a job to build an airplane. But you have got an airplane, not just a meal ticket.

If you want to just put people to work, it is easy to find something where they don't use materials, where they are just sort of around. There is a lot of filing to do. You could employ a lot more people filing. I am not advocating it. But that is nonproductive work.

You ponited it out, there is the ripple effect or an expansionary effect with all kinds of public works.

It is like housing; when you put money into a house or a housing program, it isn't just a house; it is the furniture, the rugs, the appliances, all that goes with it. It has a way of spreading throughout the economy.

If you build in my State or provide funds in your State or my State for water and sewer programs, or for whatever else it may be—for a new courthouse or firehall or whatever it is—it is brick, mortar, steel, it is wire, it is transportation, it is a thousand and one things. A lot of people along the line get a piece of the action. That is what is needed in this country. That is why I am so strong for the public works segment. I think you have got a winning case.

We have tried all the other formulas. I think more Senators think the emphasis should be on job creation, upon investment in long-term, much-needed projects for our communities.

I think that is what is needed.

Senator Burdick. Once again, thank you for your contribution this morning.

Senator Metzenbaum is the next witness.

Senator Metzenbaum, welcome to the committee.

STATEMENT OF HON. HOWARD METZENBAUM, U.S. SENATOR FROM THE STATE OF OHIO

Senator Metzenbaum. Mr. Chairman, I come over to offer a brief word of oral support and with your consent, I will extend my remarks into the record.

Senator Burdick. So ordered. [See p. 114.]

Senator Metzenbaum. I am here because I believe this package of legislation is imperative for the country and particularly important for my own State of Ohio.

As I campaigned through Ohio in recent months, I don't know of anything that was more telling and had more pathos to it than when you walked through a square and somebody would walk up to you and say, "I need a job, friend, can you help me get a job?" To have to say no, and not be able to give any encouragement or help was demoralizing to him and demoralizing to me as well.

The $4 billion that is provided for in this legislation, in my opinion, is a must for the people of this country. It won't solve the total problem, but it will provide some pump priming. It will do much to alleviate some of the critical problems of unemployment that do exist and I would hope that it would be passed at the earliest possible date.

In this country there were 22,275 communities that applied for funds for necessary public works programs—20,287 of them went unfunded. Every day, I get calls from communities indicating that they could not understand why their application was summarily rejected. In Ohio, $59.5 million was allocated. Only 48 of 1,129 applications were accepted. This is not the way a government should operate and it certainly doesn't meet the problem.

There is another aspect to the law that I would like to discuss and which I don't consider myself an authority on the subject, I have had a lot of input from people in Ohio. I feel very strongly that the 70 to 30 formula was not working out fairly. It wasn't providing the dollars that are needed to meet the critical unemployment that exists in the major communities and the urban areas.

There were 665 unfunded projects that had unemployment rates greater than 22 of the cities funded in the 30-percent category.

I think the Economic Development Administration caused an even worse situation in Ohio where as much as 62 percent of the funds went to areas above the national unemployment average, and 38 percent of the funds went to areas that were between 6.5 percent and the national unemplyoment average. The fact that this bill changes the 70 to 30 formula to 85 to 15 is a very important step.

It is clearly a step in the right direction. I think we must address ourselves to the problem of the highest unemployment areas in the Nation, if we are really to pass a meaningful bill.

But beyond that question I think we ought to talk about another aspect of this bill, Ohio's eight major cities, with populations over 100,000, contain almost 50 percent of the State's unemployed people. They received 22.8 percent of the State's funds. Cities like Toledo, Akron, and Kent, where 16 percent of the State's unemployed workers reside, did not receive a single grant.

There are other problems that this legislation needs to address itself to, and although there are members of this committee who are far more knowledgeable with respect to the legislation than I, I would like to point out that the Economic Development Administration's method for weighing unemployment figures discriminates against urban areas with large numbers of unemployed people. The idea of giving a number of points for a certain amount of unemployment and even when the unemployment rate increases by as much as two or three times that level, only adding one more point, is grossly unfair. To me it is simply illogical.

Further, the fact there was no standardized definition of project areas, made it possible for some suburban areas to do a kind of "gerrymandering," to allow them to construct areas with the highest possible unemployment. There is a majority in Ohio that really is a wealthy suburb. It received a grant, but a major city immediately adjacent to it with very high unemployment, failed to receive a grant. I think the EDA has a responsibility to set up standards for project areas.

Senator Burdick. Was that situation brought about by the 70 to 30 split?

Senator Metzenbaum. No, not really. Let me give you an example. The suburb of, say, Akron included in their unemployment compilation the unemployment that existed in the city of Akron, despite the fact that the suburb itself has a very low unemployment rate. The end result was that the suburb got the grant, but the city did not. That is, in part, an administrative decision, but, I also think the legislation itself should specifically spell out the procedure to determine the unemployment rate in an area.

As a matter of fact, I am told that throughout the entire EDA administration, there is a lack of uniformity in the methods for compiling unemployment statistics. And so, Mr. Chairman, although I support very strongly the need for this public works legislation, I think that you have to change the 70 to 30 figure, and also I think that you have to see to it that the EDA establish very strict methods of determining unemployment in a particular area.

Senator BURDICK. The staff has advised me in this situation that you described it was due to the strong reading of the rate rather than the absolute number of the unemployment.

Senator METZENBAUM. Of the rate?

Senator BURDICK. Of the rate of unemployment rather than the number of unemployed brought about that situation. Could that be possible?

Senator METZENBAUM. Well, I'm not sure. The area needs to be looked into.

Senator BURDICK. We will explore the area.

Senator METZENBAUM. I think that as long as the staff is aware of it and realizes the problem—I think that is the main thrust of my concern. I feel the problem can be handled and should be handled soon. Thank you very much, Mr. Chairman, for the opportunity to appear before this distinguished committee as well as the distinguished chairman.

Senator BURDICK. Thank you very much.

Senator Randolph?

Senator RANDOLPH. I know the personal effort that you have put forth during these past several days in connection with problems in Ohio. The severe weather that has hit your State does not help your problem. I only use this as an analogy which I think is very important. We, in this country, so often act after the fact rather than before.

The warnings have been very clear over a long period of time. We have taken action in order to have a fuels and energy policy for the United States. These efforts have been thwarted.

I will not take the time today to delineate what has been attempted to be written into law. I will only say that it is not just the Congress or the Presidency or the various levels of Government that is to blame. We have failed to sell, and I use the word advisedly, the truth, and that truth is that we are not self-sufficient at the present time in this country. We must have certain imports of petroleum from abroad, but we could be and we should have been self-sufficient 10 to 15 years ago. That is another story, but I want to underscore that now, that the problems we have we could have in large part avoided.

Senator METZENBAUM. I couldn't agree with the distinguished Senator from West Virginia more. We have dragged our feet on developing a national energy policy. I would like to make another comment with regard to this legislation, per your comment.

We are indeed a Government that reacts rather than acts in anticipation of a problem. Several years ago when the long hot summer was going on and our cities were being burned down, I was invited to the most prestigeous meeting I have ever attended when they formed the

Urban Coalition out at the Sheraton Park. I never saw such a gathering of prominent business people all at one meeting. There was the chairman of the board, the presidents of the major corporations, and the leadership of the labor movement. And there was a concern and a sincere determination that something must be done, because Detroit was being burned down, and Cleveland was being burned down, and Los Angeles was being burned down.

So an urban coalition formed. They were prepared to do anything and everything to be done to meet the problem of unemployment, to meet the crisis of our cities.

Today there is a kind of quiet that surrounds us, even with people out of work and out of money. It is a sad commentary that we always need a crisis to react to in government—a city being burned down—an energy shortage. This legislation is urgent. Yesterday was already too late. The faster we can move this legislation to the floor of the Senate and through the Congress and put it on the President's desk, the better it will be for the people of this Nation.

Senator BURDICK. Thank you for your contribution.

Senator Randolph?

Senator RANDOLPH. No; thank you.

Senator BURDICK. Mr. Heinz.

Senator HEINZ. I just want to commend my colleague for a very helpful testimony. Thank you.

Senator BURDICK. Senator Gravel?

Senator GRAVEL. Same thing. I appreciate your coming here and bringing us your comments.

Senator BURDICK. Our next witness will be John Eden, Assistant Secretary for Economic Development, accompanied by Robert Hall, Assistant Secretary-designate for Economic Development; George Karras, Director of Public Works; William Klinger, chief counsel; Herbert Becker, director of administration and program analysis; William Henkel, deputy assistant secretary for operations; Tony Sulvetta, chief of program analysis division; and Ms. Phyllis Lamphere, president, National League of Cities, member, Seattle City Council.

STATEMENT OF JOHN EDEN, ASSISTANT SECRETARY OF COMMERCE FOR ECONOMIC DEVELOPMENT, ACCOMPANIED BY ROBERT HALL, ASSISTANT SECRETARY-DESIGNATE FOR ECONOMIC DEVELOPMENT; GEORGE KARRAS, DIRECTOR OF PUBLIC WORKS; WILLIAM CLINGER, CHIEF COUNSEL; HERBERT BECKER, DIRECTOR OF ADMINISTRATION AND PROGRAM ANALYSIS; WILLIAM HENKEL, DEPUTY ASSISTANT SECRETARY FOR OPERATIONS; TONY SULVETTA, CHIEF, PROGRAM ANALYSIS DIVISION; AND MS. PHYLLIS LAMPHERE, PRESIDENT, NATIONAL LEAGUE OF CITIES, MEMBER, SEATTLE CITY COUNSEL

Senator BURDICK. Welcome to the committee, gentlemen, you can proceed in any manner you wish.

Senator RANDOLPH. Mr. Chairman, could I interrupt the procedure, because of a commitment that I must keep? I compliment this team of dedicated public servants and I call them public servants, because they serve well the public.

In a sense, John, you are, and have been, quarterback during these past months and some of the members of that team are with you at this witness table. I am weighing my words when I say—and there is no politics to what I am saying, because anyone knows that I am a Democrat and you are a Republican. We understand that, but there has always been that lack of partisanship within this committee, and it will continue, I am sure. But you and your associates did a superb job in processing the massive list of applications that you received last fall, and that was under the first round of the public works employment program. I know the long hours your representatives put in in West Virginia. I know intimately of their problems and their desire to be very fair in the recommendations made to you.

We have heard about the computer, some of the mistakes that it made. But I think they understood full well, those in the field and here in the Washington office, that there was a very human side to this program and you did not relegate it to some corner. You took it into account. You were on the job. You did a good job.

Sometimes we are less than—not, profusive, I don't mean it that way—but we do not really take occasions such as this to express our thanks, as we should to you. I think sometimes that Shakespeare was right when he said, "Ingratitude is the most reprehensible of vices," and when somebody has done a good job, let's not think that they did it, let's speak it or write it and place it on the record. And you have done that.

Mr. EDEN. Thank you very kindly, Senator Randolph, on behalf of the entire staff we appreciate your thoughtful comments.

Mr. Chairman, I do have a prepared statement which I would like at this occasion to read.

Mr. Chairman and members of the committee: I very much appreciate the opportunity this committee has given me to review for you the operation of title I of the Public Works Employment Act of 1976 (LPW) and to comment on S. 427.

In most respects the results of the LPW program have been most gratifying. EDA received a total of 25,000 applications between October 26, 1976, and December 3. Of this number, approximately 22,000 were accepted for processing. Given the limited time within which agency action on these applications was required, it was necessary for EDA's six regional offices to process an average of 800 applications per working day. Despite this hurried procedure, EDA gave careful consideration to all the provisions of the act and regulations.

Of the 22,000 applications representing $20 billion in requests, 1,988 were selected for final processing. The projects totalled $1.955 billion. The process that was used to select these projects resulted in a ranking of projects by State in both the 70-percent and the 30-percent categories. From this ranking, projects were selected taking into consideration the need to avoid undue concentration in any particular locale.

We are pleased with the results of this selection for, in our judgment, it has provided a wide diversity of useful projects in needy areas. Sixty-five percent of the funds were allocated to standard metropolitan statistical areas and of this amount, 67 percent went to city administrations. I would like to repeat that. Sixty-five percent of all the funds were allocated to standard metropolitan statistical areas and of this amount, 67 percent went to city administrations.

There has been some criticism that the system overlooked the large cities. However, a close examination will reveal that there are jobs located in the urban areas, some in the city administrations, some under county government, school districts, et cetera. The selection system was essentially objective as to the identification of the jurisdictions, but it was extremely sensitive to providing jobs for the needy, which we felt was one of the key thrusts of the legislation.

Some statistics are useful in elucidating the point. Newark and the surrounding Essex County have 25 percent of all New Jersey's funding; Los Angeles city and county will receive 34 percent of California's funds; and Detroit and Wayne County will receive 32 percent of the funds allocated to Michigan. Chicago and the surrounding Cook County will receive 48 percent of all the funds earmarked for use in the State of Illinois.

It is also interesting to note that with respect to the identification of economically depressed areas, the system achieved quite remarkable results in that the average unemployment rate of the projects chosen was 12.29 percent, including both the 70- and 30-percent categories. Unemployment in the 70-percent areas (those with unemployment above the national rate) was even higher, averaging 14.9 percent. The average per capita income of the project areas selected is $3,232, as compared to a national per capita income of $3,781. In addition, the average number of unemployed in project areas is 38,239, and the average labor intensity of the projects selected is 41.89 percent. This is an unusually high figure for public works projects, and I think it reflects the competitive nature of this selection system.

I think you will also be interested in the type of projects that have been selected for funding. Of the 1,988 selections, 473 are for water, sewer, and drainage facilities; 468 are for important public buildings such as townhalls, courthouses, municipal office buildings, and libraries, with an additional 133 public safety buildings, including detention facilities. There are 220 street or bridge projects, 49 hospitals, and 6 port and harbor projects. We are impressed with the quality of these projects, and their capability to contribute long-term benefits to their communities.

The 1,988 projects also reflect a broad range of types of jurisdictions and include 1,195 cities, 241 school districts, 230 counties, 111 States or State agencies, and 83 Indian tribes.

One further factor that is important to note is the speed with which the LPW program will affect the economy. As of 6 a.m. Tuesday, February 1, 1977, 1,836 of these grants had been signed and sent to local communities. The balance should be completed this week. With the 90-day requirement for onsite construction, this means that all projects will commence during the month of April, or within 7 months of the signing on October 1 of the Appropriations Act by President Ford. These results have proven that it is possible to efficiently infuse public works investments into the economy.

This point was also noted by Senator Humphrey in the comments he made.

Having described for you the results of the first round of the local public works program, I want to turn now to several other related matters. First, I feel it is important to explain briefly our procedure for selecting projects. Second, I will describe some of the problems encountered in implementing that system and administering the LPW program. Third, I will offer general comments concerning approaches to employ in funding additional LPW projects, and concerning the specific amendments contained in the Senate bill.

With regards to our selection procedure, you should be aware that to assure that the relative needs of the various sections of the country were met the following allocation formula was developed. Subject to program administrative costs and statutory minimum and maximum amounts allocated to individual States by the legislation, 65 percent of the funds were distributed to the States based on the share of unemployed workers residing in the States of the total national unemployed; 35 percent of the funds were distributed to the States based on the relative severity of unemployment for each State above the national unemployment rate. The allocation formula accounts either directly or indirecly for the nuances proposed in section 107 of the act. This section provides the Secretary with guidance to insure that adequate consideration was given to the relative needs of the various sections of the country. Applicants then competed with others within the same State.

Our goal was to achieve a high degree of equity and economic efficiency in implementing this program. As a result, in comparing projects within each State we have developed a scoring procedure composed of a basic rank modified by additional considerations. The basic rank was composed of four elements:

(1) The number of unemployed workers in the project area averaged over the 3 most recent consecutive months for which data was available. Since consideration was given to the absolute number of unemployed workers, implicit consideration was also given to the availability of unemployed construction workers.

Past studies have found that construction unemployment tends to increase with increasing general unemployment and to decrease when unemployment declines. Unfortunately, construction related unemployment data are not available on a consistent basis for either State or sub-State areas, thus the inclusion of unemployed workers as one of the four elements of the basic rank took into account the availability of unemployed labor resources generally and, implicitly, the availability of unemployed construction workers.

We fully realize the importance the present legislation has placed on alleviating the distress of unemployment in the construction and construction-related industries and we have gone to great lengths to determine the availability of such data. The Bureau of Labor Statistics informed us that no State provides total unemployment figures in the construction industry for union and nonunion workers at either the State or county level. Specifically, only one State, New York, has unemployment insurance data based on a 100-percent sample. Even these data are available several months after the period studied. Less than 10 States provide such "insured" data by county and State on a limited-sample basis. For example, Georgia uses only a 1-percent sample. Other States provide insured data on a statewide basis only, again based on a limited sample which may be a year old. Further, I understand that all of the foregoing data is premised on various statistical methods that may limit the usefulness of the data. Thus the use of the total number of unemployed workers in the project ranking procedure provided us with a direct measure of an area's overall unemployment problem and an approximation of the possible size of the unemployed construction labor available to undertake construction activities. This factor accounted for 30 percent of the basic rank.

(2) The severity and duration of unemployment is the second element of consideration in the ranking procedure. Distressed areas, characterized as having high unemployment rates even with small to moderate forces, will benefit from project construction activities due to some direct hiring and indirect benefits from wage and material purchases. In addition, an area having both a high unemployment rate and an absolutely large unemployed labor force would tend to further concentrate the project's impact on the construction unemployed. This factor counted for 25 percent of the basic rank.

(3) The third element for consideration was the ratio of total wages to total project cost. This factor, worth 30 percent of the basic rank, considered the extent to which proposed projects would contribute to the reduction of unemployment. However, it was felt that modification was necessary to prevent encouragement of projects containing large amounts of labor but little long-term utility, so-called "leaf-raking" projects. Therefore, the full 30 points were given to any project with a ratio of labor cost to total cost of between 35 and 80 percent. Projects with a ratio larger than 80 percent were made ineligible for grants. While still encouraging the direct stimulation of employment, this limitation meant that construction of new facilities, a primary aim of the act, was not so penalized by lower labor intensity as to make grant approval of such projects unlikely under our ranking system. In this way the individual community was given greater ability to establish its own priorities for projects, without being forced to only submit projects with a high ratio of wages to total project cost because of a disproportionate weight to that factor.

(4) Finally, the level of income for the project area was considered to assure that low income areas having relatively high unemployment rates are equitably treated under the law. Per capita income was worth 15 percent of the basic rank.

In addition to the aforementioned elements of the basic rank, additional considerations were also introduced to assure that useful public facilities will be constructed which are consistent with identified local needs. Appropriate modifications to the basic rank were made after assessing the long-term benefits a project will provide a community, a determination that the project is consistent with local plans and priorities, and that the sponsor of the project is a general or special purpose unit of local government.

I would now like to discuss the more significant problems experienced in administering LPW. The statistics I quoted earlier indicate our high degree of success in targeting useful, efficient projects for areas of high unemployment and low income. However, due to the limited time from passage of the act to approval of projects, the numerous considerations within the act, the volume of applications, and the various types of areas, projects, and statistical data sources, EDA was unable to anticipate all the subtleties and practical implications of the program, and some problems have appeared.

In making the final selection of projects, EDA gave primary consideration to the scores and ranks produced by our weighing of the four basic criteria and the additional considerations just described.

Exceptions were made, however, when adherence to this procedure would have resulted in an undue concentration of funds in a county or city area). In accordance with the purposes of this program, undue concentration in an area was treated in terms of the relationship between unemployment in that jurisdiction and unemployment in the State or county. In those cases when unemployment data was unavailable, population comparisons were used. For example, the ratio of county unemployment to State unemployment, or county population to State population, was determined. This ratio was applied to the State planning allocation of LPW funds to establish a "benchmark" for that particular project area. Projects were then selected according to project score until the level of money awarded to an area exceeded its benchmark. After that point, normally no additional projects from that area were selected. Contrary to our original expectation, undue concentration of funds was a major occurrence that required frequent resort to the procedures I just described.

Another aspect of the project selection process that should be of interest to you is the procedure followed in the case of tie scores. This phenomenon generally occurred among projects submitted by the same applicant or by different applicants from the same area. In the case of tie scores among a single applicant's projects, we adhered to that applicant's priorities whenever they were known. If we had no knowledge of the applicant's priorities, that project or combination of projects that exceeded the area's benchmark by the least amount was selected. However, we are allowing applicants whose projects fall in the latter category to "switch" projects in accordance with their priorities.

Therefore, only those projects that received the same score as the projects selected may be candidates for substitution. In those rare circumstances in which a lower scoring project from the same applicant had been denied only because funding it would have caused an undue concentration of funds, that applicant was allowed to substitute the lower scored project. When a project is substituted, no additional funds are made available, and if the substituted project or projects require less funds than the original selections, the difference is returned to the State allocation for possible funding of additional projects elsewhere. If the substituted project requires more funds than the one originally selected the applicant must provide the difference.

When the projects submitted by different applicants from the same area tied, we attempted to achieve an equitable distribution of funds among applicants, while adhering to the area's benchmark.

We believe that the proper place for prioritizing projects is at the local level. Although EDA was often aware of a jurisdiction's priorities, as I have noted this was not always true. It is therefore preferable that any further funding include a more formalized method to insure compliance with local priorities.

Another major problem arose as a result of the legislative requirement that 70 percent of all LPW funds be used to support projects from project areas with unemployment above the national average and 30 percent to support projects from project areas with rates at or below the national average. Since all States had sufficient projects in the 70 percent category to utilize their entire allocation, it was necessary to make the 70 to 30 division on a State-by-State basis. Thus, projects from project areas with unemployment rates above the national average competed against each other within a State. Projects from project areas with unemployment rates equal to or below the national average likewise competed against each other, with the exception of projects from project areas with unemployment rates below 6.5 percent. These projects competed in a third and lower priority category and would only have been selected for funding if moneys remained available after projects in higher priority categories had been selected.

This system of competition within categories sounds quite reasonable. In practice, it caused significant problems and inequities. Even when community officials understood that their projects were not competing directly against a neighboring community with a lower unemployment rate, they found it difficult to accept the fact that the economically healthier neighbor received assistance while they did not.

For example, it was hard to explain to local officials in New Jersey why a community with an unemployment rate of 6.57 percent received funds from the 30 percent category when no applicant with an unemployment rate of less than 11.37 percent was selected in the 70 percent category. In New Jersey there was a middle range of unemployment rates from 11.37 percent to 7.78 percent rate of unemployment in which no applicant received funds, but funds were awarded to communities with unemployment on either side of that range. In some cases, a one-tenth of a percentage point was the margin by which a project was assigned to the 70 percent category, where it had a minimum chance of final selection, rather than the 30 percent category, where it would have been in a much more favorable position.

There is also the situation on which Senator Metzenbaum has recently commented on.

This inequitable situation was further complicated by the fact that there were two sources for this critical unemployment data: The CETA list and the State employment security agencies (SESA). These sources covered different reporting periods, normally April, May and June for CETA data, and the most recent 3-month period available from the SESA's. EDA was bound to this arrangement due to the agreement among DOL, OMB and EDA that the CETA list be used for all jurisdictions appearing on that CETA list and that all other areas request the most recent 3-month data from their own State agencies. Many States and applicants were highly critical of this arrangement, arguing that data from a single source and covering the same period was necessary to provide a stable floor for this critical factor of the competition.

A related problem is the inability of those areas of the country that experience seasonal employment swings to have this situation reflected in the most recent 3-month unemployment data. EDA was not able to alleviate this inequity for two reasons: The act requires the use of data for the 3 most recent consecutive months; and seasonally adjusted unemployment data for local jurisdictions is not available from any recognized source. The Department of Labor has indicated that a much longer collection period is required than is currently available for determining seasonally adjusted unemployment rates for local jurisdictions.

A serious administrative problem was caused by the large latitude given applicants in delineating the project areas. Again, this is a problem that Senator Metzenbaum described in his testimony.

These areas were utilized in the ranking process as the basis for determining the number of unemployed and the rate of unemployment. Applicants were required to provide justification for extended project areas in terms of the labor needs of the project, the ratio of unemployed persons to the number of jobs to be created, and commuting patterns within the project area. However, relatively affluent areas within commuting distance of economically distressed cities were still able to include the cities in their project areas. Consequently, the projects submitted by such places often scored higher than city projects, despite our efforts to avoid such situations by including the income level of the applicant's jurisdiction as a factor in the scoring formula.

Although the unemployed residents of the nearby cities are likely to obtain some of the construction jobs generated by such projects, the long-term benefits of the project will in many cases accrue to residents of the jurisdiction in which the project is located. Moreover, funding such projects can result in assisting jurisdictions that are better able to finance public works improvements on their own.

While the State planning allocations allow for an equitable distribution of LPW funds among the States, there is presently no provision to forestall geographic concentration of LPW funds within each State. Such concentrations were avoided only at the discretion of the Assistant Secretary during the final stages of the project selection process by use of the undue concentration procedure already described. Even with the approach employed, small jurisdictions frequently received amounts far exceeding what could be considered reasonable given their size and the level of funds available.

In terms of problems associated with the implementation of other Federal legislation covering the commitment of the LPW funds, the most serious arose over the requirements of the National Environmental Policy Act. Although we included in the regulation our position that we are exempt from the requirement to prepare environmental impact statements we are not exempt from the basic requirement of the National Environmental Policy Act, which is to understand the potential environmental impacts of LPW projects prior to the commitment of funds. Given the number of applications received, the tremendous variety of eligible public work projects, and the restricted review time, compliance was extremely difficult. We required resubmission of approximately 200 applications because of environmental questions, and of these about 50 were ultimately rejected because of potential adverse environmental impact.

The last major issue involves the competition for funds between Indian and non-Indian projects. Unemployment rates for Indian communities are based on different data sources and calculated on different bases than those for other areas. Although it is clear that rates of unemployment are significantly higher in Indian communities, these differences appear to magnify the gap. Thus, projects submitted by Indian tribes received such high scores on the basis of unemployment rates that they generally ranked higher than those of other areas.

Whatever improvements Congress makes to the act, it should be remembered that a tremendous amount of energy has already been expended by both the applicants and EDA in processing the current applications. It therefore may be preferable for any new authorizations and appropriations for this type of public works program to make use of these applications to the extent possible. Obviously, the greater the number of amendments and new applications to be processed, the longer the period of time until further grants can be approved under further authorizations.

The EDA staff has been reviewing and analyzing the provisions of the bill with a view to providing recommendations to be submitted to the Congress. We recognize the urgency that both the President and the Congress place on resolving these matters and therefore we have incorporated our specific recommendations into a paper which we will submit to the committee.

To insure a smooth transition in the administration of this important program, I have already begun working with my successor designate, Mr. Robert T. Hall, and I will remain with EDA in a consultant capacity until about mid-March. We will continue to discuss methods for the successful implementation of any further LPW funding, and I anticipate that Mr. Hall will submit more specific recommendations to you in this regard in the near future.

On that point, also, I would like to say Mr. Hall was with me earlier, but when we were delayed a little bit in our testimony he had to go back to the Department to assist the Secretary in working on these very recommendations for presentation as early as possible.

Again, thank you for giving me the opportunity to share my thoughts on the LPW program with you. This concludes my prepared statement, but I will be happy to answer any questions you may have.

Mr. Chairman, I would like to take a moment to introduce the members of the staff here. On my left is Mr. William Henkel, who is the Deputy Assistant Secretary for Operations; on my right, Bill Clinger, who is General Counsel; and on his right is Tony Sulvetta, who is Chief of the Program Analysis Division. On my far left is Mr. Herb Becker, who is Director of the Office of Administration and Program Analysis.

Senator BURDICK. Thank you very much for your contribution. Do the gentlemen you just mentioned have any statements of their own or are they here to respond to questions?

Mr. EDEN. They are here to respond to questions.

Senator BURDICK. Senator Gravel?

Senator GRAVEL. Thank you, Mr. Chairman. I want to add my words to those of Senator Randolph, commending EDA's effort in what I think was a horrendous task. I had a chance to be in Seattle when they were in the process and they pulled their field people back from Alaska into region 10 so they could work in the area.

I have two questions that affect Alaska, one of a general nature. The 90-day onsite labor requirement really posed a problem with us with respect to seasonality, and we are probably more seasonal than any other part of the country. I wonder if you could comment on the possibility of our having an exception, or any cold weather place, certainly Minnesota, the Dakotas, but I think we have impossible situations that if they started applying in October, there is no way they are going to get a project moving until after spring breakup, unlike Minnesota where some things can be done in the winter.

By and large these projects cannot be done, particularly in the bush area, until after breakup.

Mr. Eden. Yes; we do. We have recognized that problem, Senator, and do have a provision on this. I will let Mr. Clinger define it to you.

Mr. Clinger. As you know, the legislation was very explicit in providing that 90-day period. That did give us difficulties. However, the legislation merely requires that we receive adequate assurances to the Secretary that construction can be commenced within the 90-day period. In fact, I think it does give us the option to permit extensions of time in undue circumstances.

Senator Gravel. You do have that? It wasn't exercised in Alaska. That is the biggest gripe we had, that 90 days precluded a lot of projects.

Mr. Clinger. I think we really are pretty well bound to that.

Senator Gravel. To the 90 days?

Mr. Clinger. Yes.

Senator Gravel. Can you get some language up to me that will permit you to exercise a little judgment in that regard, maybe "90 days or recognizing climatic conditions"?

Mr. Clinger. That would be helpful. I think the other thing we have indicated earlier is that we would take a very liberal view of what constituted onsite construction in those areas where climate is a real problem, as apparently it is going to be in a lot of areas.

Senator Gravel. If you could get me some language so I could make sure we have something in the bill so we could provide for intelligent judgment. The other problem we have, in some of our very poor communities, we come in and give them a Cadillac but they cannot buy the fuel to keep that Cadillac going. They can't afford to maintain the unusual facility that we put there. This is something that you cannot pass a law to universally cover.

We have a fellow in Alaska, who has done a good job, has exceptional judgment and so in a case like that, we would need some latitude so you could make some subjective judgment. I know this is a great project, but they cannot afford it after we back away from helping them. I wonder if you could comment on that. Giving you a little bit more authority in subjective judgment as a final analysis—after your formula has been implemented.

Mr. Eden. Senator, I think that is a good point, and it is a point that concerns us. As I stated in the testimony, we have some areas where there are relatively small-sized communities that are receiving a very large amount, and it would be useful if there was some way we could put some kind of limitation on that. But as the legislation is written, I think it would be a very difficult thing for EDA to make a subjective judgment about a local community's capability of utilizing or living with the projects which they requested.

Senator Gravel. Could you get me some language here that you feel would give you necessary authority as an end product, right at the end if the Secretary or yourself feel this thing should not really be done this way, regardless of what the local community says?

We are all a little avaricious and have eyes bigger than our stomachs many times. We have seen some of the situations where small communities have something they cannot handle after they get it.

I would like to see some moderation and spreading out of funding. If you would come up with some language there and then along with solving our 90-day Arctic problem, we would be in good shape.

Mr. EDEN. Thank you.

Senator GRAVEL. The other area is in your testimony it was brought to my attention that there can be a substitution. Is there any chance of abusing that if someone comes in and puts up a strawman and puts the papers together so they meet the deadline and comes in and switches signals on you so they do something that takes them a little longer to prepare and get what they want?

Mr. EDEN. No, sir; I don't think we had any occurrence of that. As it is being handled, it is within the projects that are the system now. We are allowing substitution of a tie score project by the local community. But in actual fact we had no such situation of which I am aware where they hurried in with one project and tried to substitute a replacement.

Senator GRAVEL. The replacement had to be from the inventory of timely applications.

Mr. EDEN. Correct.

Senator GRAVEL. I thank you, Mr. Chairman.

Senator BURDICK. Senator Heinz.

Senator HEINZ. Yes, thank you, Mr. Chairman. And let me take this opportunity to welcome John Eden, a longtime friend of mine from the State of Pennsylvania, a very distinguished private citizen and public servant in his own right.

John, it is very good to see you, although I wish it would be possible to see you longer than the term which your contract for consulting runs. I do want to commend you on the job you have done working with the very complex set of constraints and guidelines determined by the Congress. I want to compliment you on having met the objective of the legislation, which was to keep this program out of politics, even if we have an awful lot of difficult questions to resolve as a result of having done that.

Mr. EDEN. May I say, thank you very much, what an honor it is to have you as the Senator from Pennsylvania. We are very proud to have you here and I wish we could work closer together for a few more years.

Senator HEINZ. Maybe we can get an extension on your contract.

As I think, Mr. Chairman, Mr. Eden is aware, in my own State of Pennsylvania, some of the major cities, such as Pittsburgh, Scranton, Erie, Allentown, just to name a few, all of which have very high, very unreasonable rates of unemployment, did not receive any funds from the 1976 public works legislation.

Now, in your testimony you do touch upon some problems that answer why that happened. My question is how can we address the problem and any changes we might decide to make? How can we assure a more equitable distribution of funds to cities, including medium-sized cities within each State and within each county in the next round?

Mr. EDEN. Well, I think I touched on two of them in the testimony. No. 1 is the 70–30 split. I think without the 30 percent set aside for areas with an unemployment less than the national average, many of those cities you described would have been included in the funding.

Also, the gerrymandering of the project areas, which was provided in the legislation, enabling a small community outside the city to carve out an area of the city, would be another problem that I think could be effectively eliminated.

Another one that I touched upon in response to Senator Gravel's question, was the size of the amount of money that some smaller communities received. It was impossible to say no to a city of 1,500 people if they had a $4 million project. It would not have been fair, once the program had been established, or justifiable to say to them, "No; your project is too much." But if there is some way to limit that to a reasonable level, possibly to the level relating to the capability of the smaller community to utilize the project, that would have freed in the first go-around more funds to get to those sized cities you talk about.

Senator HEINZ. In that regard, would it make any sense, as I think perhaps Senator Humphrey suggested, to have a cap based on a limit of dollars per capita? I think he suggested that either $200 or $300 per capita, as the basis for determining the cap in a given population area.

Mr. EDEN. My own personal point of view is that would be a reasonable way to do it. I was pleased to hear him say that. One of the things we are working on now as to what is the most equitable way to provide this, as you say, cap. I do have some additional figures in the form of charts that might be of interest to you.

These are some data with regard to the types of projects that were selected that I think might be useful and I will give them to you as a part of the record.

Senator HEINZ. Could we withhold on that for a moment? I would like to ask you a question about types of projects, but I would like to return to the question of the 70 to 30 allocation of money. Now, as I understood the way you did it, you allocate money to each State and then you required the State, within the State jurisdiction, to make that allocation; is that correct?

Mr. EDEN. Well, we allocated money to each State and then of that amount of money 70 percent was set aside for projects higher than the national average in unemployment and 30 percent was a separate set-aside for projects below the national average.

Senator HEINZ. That is my understanding. Now, what I believe you said was that because there were an awful lot of areas with high rates of unemployment, you did not really get down very far in terms of areas with high unemployment, whereas you were funding 30 percent of the money going to people with less than the national average.

Now, even if we move the ratio from 70 to 30 to 85 to 15, as has been discussed, it would seem to me that you still might have a very large gap. Would that be true?

Mr. EDEN. I think that is correct. You still will have that gap. You will still have the inequities. You might have less of them, but in each State you probably only hear about one or two anyway. They stand out very dramatically. So that 85 to 15 will reduce the magnitude of the problem, but it will certainly not eliminate the inequities.

Another point is that having gone through one round of the 30-percent money, where, as was pointed out earlier, the competition was not very stiff, there are a great many of the 30-percent projects that have already been funded. To go back to the 30 percent category again, the quality of the projects there is becoming of less value all the time.

Senator HEINZ. Is it your feeling that even though some final recommendations may be up later in the week, that we should not retain even a 15-percent reserve?

Mr. EDEN. That would be my personal recommendations; yes.

Senator HEINZ. You would like to see us eliminate that 70/30 and go 100 period and zero and do everything on the basis of merit and need?

Mr. EDEN. Yes; I think so. I think we have done enough in the 30 percent category and given those kind of communities an ample amount of money. They did receive $600 million worth of projects around the United States.

Senator HEINZ. You spoke of gerrymandering. When you use that word, are you referring to a problem the same as or different from the problem that results when a small community gets a very large amount of money?

Mr. EDEN. No; I am referring to a slightly different problem. Let me see if I can describe it clearly.

Gerrymandering allowed a community that was next to a major city to include part or all of that major city in its area of unemployment. The concept was that the jobs would be there for the unemployed worker in the city to go to if the project was located in the rural town outside the city. But it gave the rural town with a lower per capita income and a higher percent of unemployment a distinct advantage and cut short the major cities.

Senator HEINZ. It would seem to me that the cap we talked about earlier might partly address that problem, but I am not sure it would address the entire problem.

What else would you suggest we think about doing?

Mr. EDEN. Well, one other way to do it is simply eliminating the opportunity for gerrymandering by saying that a community's own jurisdiction was his total area and that would be all.

Senator HEINZ. Let's try that out and see how it would work.

In my own home county, Allegheny County, the municipality of Glenfield got a very substantial grant, notwithstanding the fact that the population of Glenfield is quite miniscule. It is a part of Allegheny County, for which unemployment statistics exist. It is also a part of a larger multicounty Samoset area. It is not a part of the city of Pittsburgh. A very substantial part of Allegheny County, perhaps a quarter of the people or more, live in the city of Pittsburgh, for which unemployment statistics, independent, do exist. How would you propose to identify the unemployment problem in Glenfield, which is simply located, if you will, somewhere on a map outside of the city of Pittsburgh, inside Allegheny County, inside a larger SMSA area.

Mr. EDEN. One possibility would be to use the unemployment of the balance of Allegheny County, less Pittsburgh. Take Pittsburgh unemployment out and use the rest of the county. Then it could compete with the balance of Allegheny County. The Pittsburgh situation, specifically as I have looked at the ranking——

Senator HEINZ. If you could hold a minute, because I think that will do something; I think what you just suggested will accomplish something, but I am not sure what. I'm not sure what.

Mr. EDEN. I might suggest that I think one of the things it would create would be a number of tied projects in the balance of Allegheny County. But if you also used per capita income, you would have some way to break those ties because the community you suggest might have a different per capita income than perhaps another area of the county.

Senator HEINZ. Perhaps the suggestion you make is reasonable. I could also think of communities adjacent to the city of Pittsburgh that for all intents and purposes by any kind of common rule of thumb or commonsense definition really are apart, economically, of the city of Pittsburgh, but which would be located politically in Allegheny County. For example, East Hills of Penn Hills is literally fairly heavily populated by minorities, but in a county suburb, the municipality of Penn Hills. Would there be any sense in looking at, should we take your suggestion, some kind of variance precdure and determination could be made which would be vested either in the State or in you to say, "Here is an instance where variance makes some sense"?

Mr. EDEN. I think it could be possible, but one of the things we have to be concerned about is the time constraints on the agency to make a whole multitude of decisions of that nature. EDA has only 800 people in it, and we added about 265 for this program. To the extent that you put an additional load on our economic development representatives, of which we have relatively few in each State, you create an overwhelming problem for the staff to cope with.

Senator Humphrey suggested that we give more authority to our economic development representatives. But there is one man for all of Minnesota and it is very difficult. I would suggest, in a 60-day period of time, as we had this last time, to impose a great deal of subjective decisions on one individual down there on the firing line of the local level. It becomes very hard to do, and difficult to manage, I think, so that you end up with something that is absolutely fair and objective and as equitable as you can possibly make it.

Senator HEINZ. Mr. Chairman, there are some other questions I would like to ask that both Senator Stafford and I would like asked, and I would like, if I may, to continue with those.

Senator BURDICK. Certainly.

Senator HEINZ. You were about to talk concerning the types of selected LPW projects. I see you have an analysis there. Would you care to tell us about the types of applications which remain in the computers as compared to the projects selected on the first round?

Mr. EDEN. I regret I don't have a detailed breakdown of what is left in the computer, Senator. But I will venture to guess it is very similar to the kind you see represented. One of the features of the program, I think, has been that it was a competition and therefore you had each community putting forth its very best, if you will.

Tony Sulvetta has just given me an indication of some of the nonselected projects that are still in the computer. We can follow it down in the same order.

There are left in the computer 698 million of public safety. The percentage left for hospitals is slightly less, the percentage of schools is the same, recreational buildings and parks is slightly higher. There is a smaller percent of other public buildings. It is 17.3 percent left. Industrial development is 2.3 versus 2.6 here. The miscellaneous and multiple buildings is 3.6 percent. Again the water and sewage drainage is almost the same, 22 percent. Streets, roads and bridges are at 11.4 percent of what is left. Miscellaneous or multiple civil or civic works are 6.6 and the latter figure is miscellaneous or others unaccounted for.

Senator HEINZ. Mr. Chairman, I would ask that the chart before us as well as the document analysis of the numbers in the computer be made a part of our record.

Mr. EDEN. I will do that. There are two or three other charts that you might like to see. They will give you a little bit of other background data on that program. We will submit those to you.

[The material referred to follows:]

NUMBER OF PROJECTS COMPARISON OF SELECTED AND NONSELECTED LPW APPLICATIONS BY PROJECT TYPE

Project type	LPW funds		Percentages	
	Selected	Nonselected	Selected	Nonselected
Public safety	133	896	6.7	4.5
Hospitals	49	400	2.5	2.2
Schools	268	2,650	13.5	13.4
Recreational buildings and parks	94	1,930	4.7	9.8
Other public buildings	469	3,446	23.6	17.4
Industrial development	47	393	2.3	2.0
Miscellaneous or multiple buildings	88	792	4.4	4.0
Water/sewer/drainage	475	4,522	23.9	22.9
Streets/roads/bridges	224	2,825	11.3	14.3
Miscellaneous or multiple civil works	123	1,312	6.2	6.6
Miscellaneous or multiple facilities not elsewhere classified	18	597	.9	3.0
Total	1,988	19,768	100.0	100.0

FUNDS COMPARISON OF SELECTED AND NONSELECTED LPW APPLICATIONS BY PROJECT TYPE

Project type	LPW funds		Percentages	
	Selected	Nonselected	Selected	Nonselected
Public safety	97,691,176	697,824,309	5.0	3.9
Hospitals	62,365,658	471,491,081	3.2	2.6
Schools	372,846,575	3,397,781,068	19.1	18.9
Recreational buildings and parks	78,771,824	1,515,343,082	4.0	8.4
Other public buildings	481,112,645	3,113,115,999	24.6	17.3
Industrial development	50,225,560	414,789,476	2.6	2.3
Miscellaneous or multiple buildings	91,378,624	658,881,512	4.7	3.6
Water/sewer/drainage	405,664,549	3,963,692,655	20.7	22.0
Streets/roads/bridges	179,228,619	2,044,356,976	9.2	11.4
Miscellaneous or multiple civil works	119,354,303	1,194,981,557	6.1	6.6
Miscellaneous or multiple facilities not elsewhere classified	16,767,109	486,612,178	.8	2.7
Total	1,955,406,642	17,958,879,973	100.0	100.0

TYPES OF APPLICANTS FOR SELECTED LPW PROJECTS

State Government	111
Substate District	2
County	230
City	1,195
School District	241
Special Purpose District	54
Indian Tribe	83
Other	70
Total	1,988

CHARACTERISTICS OF SELECTED LPW PROJECTS

Average unemployment rate - 12.29%
(Median 9.30%)

Average per capita income - $3232
(Median $3379)

Average number of unemployed in project area - 38,239
(Median 6810)

Average Labor intensity - 41.89%
(Median 40.35%)

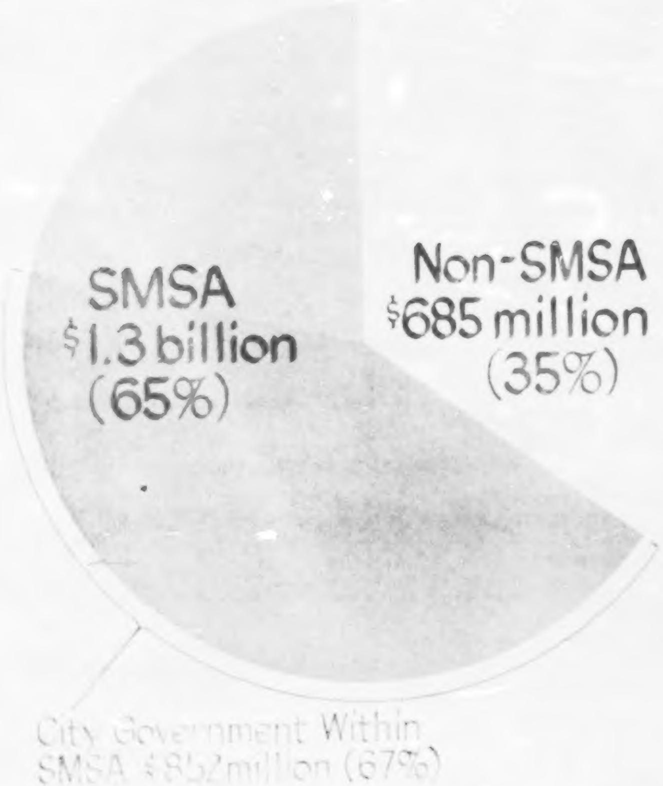
LPW FUNDING IN SELECTED URBAN AREAS

Area	LPW $ (Millions)	% of State Allocation
Boston/Suffolk County	$11	21%
Chicago/Cook County	$31	48%
Detroit/Wayne County	$58	36%
Los Angeles/ Los Angeles County	$85	34%
New York	$97	42%

TYPES OF SELECTED LPW PROJECTS

Project Type	LPW Funds	% of Funds
Public Safety	97,691,176	5.0
Hospitals	62,365,658	3.2
Schools	372,846,575	19.1
Recreational Buildings and Parks	78,771,824	4.0
Other Public Buildings	481,112,645	24.6
Industrial Development	50,225,560	2.6
Miscellaneous or Multiple Buildings	91,378,624	4.7
Water/Sewer/Drainage	405,664,549	20.7
Streets/Roads/Bridges	179,228,619	9.2
Miscellaneous or Multiple Civil Works	119,354,303	6.1
Miscellaneous or Multiple Facilities not elsewhere Classified	16,767,109	.8
Total	1,955,406,642	100.0

SMSA/Non-SMSA LPW FUNDING



Senator HEINZ. Let me ask you this question. If we used only the projects which have been received, some 22,000, will there be a sufficient number from each State to utilize the sum equal to that which the State received under the last $2 billion?

Mr. EDEN. Yes; there will be, Senator, with the exception of the District of Columbia. Knowing the amount, knowing that there were no other jurisdictions other than the District of Columbia government, they just submitted the projects that they wanted, just $10 million. So we would have to provide a means for them to resubmit. And that may be the case in perhaps other locations. The Virgin Islands and the territories may not have any projects left in their inventory.

Senator HEINZ. Thank you, Mr. Eden. Continuing, there has been considerable discusion of the types of production funded in certain communities and whether these projects actually provide a necessary public facility and reflect local priorities.

One recommendation for ascertaining local priorities will be to utilize the existing A–95 process. The system is now in place, covering the entire county and perhaps could be implemented on the next round. Would you comment on that and comment with respect to any other alternatives?

Mr. EDEN. We did adhere to A–95 in carrying out this program. I think that the general thrust of that comment, though, is that we need more reliance on local priorities and we agree on that. I think there was a comment in the testimony to that effect. We are working on ways to try to provide the environment for more local input. It was difficult this time around because of the time constraint.

As I indicated in the testimony, we started receiving applications on October 26. By December 3, in order to make the 60-day deadline, we had to stop receiving projects and start the evaluation. So it was impossible for any local feedback in that time constraint.

However this inventory is familiar to us. It is also familiar to the local communities, and I think we do have an opportunity for better prioritizing and better dialog now than we could ever have done in so-called LPW I.

Senator HEINZ. To give you a specific example of that one community in Pennsylvania, Tunkhannock, submitted three projects to EDA. I understand, although I don't have the statistics, that they all rated very, very close together in terms of the rating scale. The computer worked; you chose the highest rated one and it was the one the community really wanted least. I am wondering if there should be some range established within which we can on the one hand constrain local choices but at the same time make it reasonable.

Mr. EDEN. I think that is a very good question, Senator. And I really wish to congratulate you on the depth of your homework. You are understanding many of the subtleties that have given us some problems.

As I indicated, we think the local priorities in the future are going to be very important and that some of the effort we are making now is to try to eliminate that narrow difference. If it is going to be that close, it might as well be a tie. And under that circumstance you simply ask the local community what their choice is.

Senator HEINZ. Mr. Chairman, there are some additional questions I would like to submit to Secretary Eden for his response. I would hope that it would be possible to obtain the responses to these questions numbered 3 through 7 on this prepared statement and I would ask, Mr. Chairman, unanimous consent that the questions and the responses, when received from EDA, be a part of our record and be so made before Friday.

Senator BURDICK. Without objection, so ordered.

Mr. EDEN. We would be pleased to receive those questions and will reply as soon as possible. (See below.)

Senator HEINZ. In addition to those questions, there are two other questions I would like also to ask for the record. I would not like to take the committee's time to answer them here now, but I would like to make them a part of the record. And I would like under the same circumstances to ask that the questions 3, 4, and 5, of my own personal list of questions be similarly handled.

Senator BURDICK. Without objection, so ordered.

[The questions referred to by Senator Heinz follows:]

3. Q. The new legislation attempts to reach the problem of local priorities--and the need to limit the number of applications--by introducing a local match in future years.

Do you believe a match requirement would achieve those results -- establishing priorities and limiting applications?

Do you think a match will delay projects and if so, how major would this delay be?

Do you have any recommendations on ways to deal with this matter? I am concerned that a matching requirement could work against poor communities.

A. We are presently examining the advisability of a matching share. This probably would limit the number of applications submitted from each applicant for Round III of the LPW program. It would also result in submission of an applicant's highest priorities, and it has been our experience that local financial contribution causes greater local interest and participation in the entire process. Finally, and

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obviously, matching shares would allow funding of more projects. Despite all these positive aspects of a matching share, we have serious misgivings. A matching requirement would be detrimental to those cities with fiscal problems, thus hurting the priority areas of the program. Our recommendation is, if a matching share is required, that the Agency have the flexibility to waive the matching share for those applicants with financial difficulties. It is also EDA's experience that matching share requirements can cause delays in the ultimate start of construction.

4. Q. The agency, in interpreting the Act, made several administrative decisions which are reflected in the regulations. To help the Committee assess the affect of these decisions on the outcome of the program would you please discuss the reasons for the decision, if you believe it achieved the desired result and if you would continue that provision of the regulations.

The specific decisions I am referring to include:

(a) the State by State allocation

(b) the specific selection criteria and weights given each.

A. The formula by which the planning ceiling for each State was established was as follows:

Subject to program administrative costs and statutory minimum and maximum amounts allocated to individual States by the legislation, 65% of the funds were allocated based on a State's share of the national unemployed, and 35% was allocated to states with a rate of unemployment above the national average based upon the relative severity of unemployment in each such State.

This 65/35 allocation was utilized after a study of several formulas indicated that it was the most equitable. We have received few complaints relating to the State allocation and recommend its continuance.

The scoring formula established for the first round inadvertently created inequities in the distribution of funds within the individual states and was too complicated to be understood by most people. Therefore the scoring formula should be revised as explained below.

1. Factors that should be eliminated. The following factors should be eliminated from the formula:
   - . Labor Intensity - The labor intensity factor was not an effective discriminator among projects. Most projects claimed labor intensities above 35 percent, automatically giving them the maximum

score on this factor. Such a factor would only be meaningful if priority were to be given to renovation projects. However, it has never been an intention of this program to emphasize such projects over new construction.

- Relationship to Plans - Virtually all applications stated that their projects were related to a plan. Thus this factor was not an effective discriminator among projects. The Agency should make consistency to plans a finding rather than include it as a scoring factor.

- Long-term Benefits - The determination of long-term benefits required difficult, subjective judgements which were often not consistent with local priorities. We assume that public works projects, a priori, have long-term benefits. This was an administrative decision to include this factor in scoring. We believe the Agency should now make a finding as to a project's long-term benefits, but should not attempt to rate them on the extent of their benefits.

2. Scoring Factors to be used. The scoring factors that should be included in a selection formula are:

- Unemployment rate - The unemployment rate of a project area will measure the severity of unemployment. The data will usually be supplied by the Department of Labor to EDA. This factor will be worth 40 points in the formula.
- Absolute numbers of unemployed - The numbers of unemployed in a project area measures the extent of distress. The data will usually be supplied by the Department of Labor to EDA, as well. This factor will be worth 40 points.
- Per capita income - The per capita income factor provides a basis for discrimination among projects within a county. However, as it does not take cost of living into account, it should be de-emphasized. The per capita income of the applicant's jurisdiction (i.e., city, county, State) will be used and will be worth 10 points. The statistics will be supplied by EDA again using 1972 Treasury Department data.
- Type of government - This factor will be revised so that general purpose units of local governments will receive the maximum score (10 points). This would include city, county, and Indian tribe governments. Special purpose units, including school districts, would receive 5 points and

States 0 points. In this way the priorities of the chief official of the local unit of government will be met. However, if the chief executive states that a project sponsored by a government unit other than his/her own is a priority, EDA will take that factor into consideration in the project selection process.

5. Q. How many of the selected projects and the total share of the dollars went for new construction?

A. A total of 1,646 selected projects for $1,650,207,331 in LPW funds went for new construction. This represents 82.8% of the selected projects and 84.4% of the available LPW funds.

6. Q. S. 427 would permit the Secretary to require updated unemployment data as the figures used on the first round will be six to twelve months old when the next $2 billion

is available. Do you believe this information can be obtained without undue delay or difficulty?

A. The 12-month average for 1976 should be used. All unemployment data for county and county equivalents, except for Indian reservations, should be from the same source, the Department of Labor. Indian tribes should use the latest BIA data. Section 108(c) which allows applicants to use alternate sources should be eliminated.

We recommend that the applicant not be required to update their own unemployment data. EDA will itself update unemployment data. This would not cause any delay.

7. Q. The Committee has heard critisism that the flexibility in defining project area has worked against areas of greatest need actually getting the project constructed within its boundaries. What has been the overall impact of the flexibility in the law -- has it helped smaller areas of need qualify by joining with surrounding jurisdictions or has it been abused to the detriment of the program?

Do you have any recommendations on this matter?

A. Section 108(f) of the Act permits applicants to use adjoining areas for determining the unemployment rate and number of unemployed for project areas which measure the need for their project.

This provision resulted in much confusion and enabled certain areas to unfairly capitalize on the distress of other jurisdictions. The applicants' ability to define their own project areas resulted in glaring inequities and confusion. In some cases a city defined its project area as its boundaries assuming its high unemployment was sufficient. A small town outside the city used the whole county (including the city) as its project area. The result was that the small town ranked higher and was selected. The loose project area requirements encouraged applicants to determine which areas would guarantee high scores, and permitted large project areas to be defined which included areas with high distress to the disadvantage of those high distress areas. Our recommendation is that all gerrymandering of project areas should be prohibited. Therefore, Section 108(f) of the Act should be eliminated. Project areas would then be limited to cities of 50,000 or more; counties, or, in counties with cities of 50,000 or more, the balance of the county excluding all such cities.

Exhibit C

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1. Q. There has been much discussion of different approaches to stimulate the economy and produce jobs. What is your evaluation of public works versus public service jobs versus tax credits versus revenue sharing as programs at this time?

A. It is very difficult to decide before the fact what is the best balance between public works, public service jobs, and tax rebates. Although it is important to stimulate the construction industry, I believe that to place more than $4 billion at this time into the construction sector would be to benefit one particular group at the expense of others. This does not detract from our belief that public works projects do create jobs. The LPW program is basically a countercyclical measure to stimulate the national economy by providing for quick-start construction of needed public facilities. In addition to the employment created in the construction industry, there is the added long-range stimulus resulting from the jobs created by the facility itself.

2. Q. In my home State of Pennsylvania some of the major cities, Pittsburgh, Scranton Erie and Allentown, all of which have unreasonably high rates of unemployment, did not

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receive any funds from the 1976 Public Works legislation. How can we assure a more equitable distribution of funds to major cities within each State in the next round? Have you thought about a sub-state allocation?

A. The additional $4 billion funding will assure that many of the cities passed over in the first round will receive projects. Deletion from the legislation of the "70/30" provision would allow funding to be directed at the areas with the most need. Also, the selection decisions should be directly related to the unemployment in standardized project areas so that the unemployment data of each is not distorted. To accomplish this uniformity, the provisions in the Act allowing gerrymandered project areas should be eliminated. I do not feel that it would be wise to have sub-state allocations, as this might tend to encourage less needed projects. The use of sub-state benchmarks will have the effect of preventing undue concentration, and in conjunction with the other factors mentioned above should assure an equitable distribution of funds.

3. Q. Existing law requires that the most recent 3 consecutive months be used in determining an area's unemployment.

Unfortunately, many parts of this county have suffered from severe and chronic unemployment. Should we consider giving some weight to areas that have had long-term, chronic unemployment?

A. The Local Public Works program is intended as a countercyclical program and therefore is intended to aid those communities suffering due to the recession; however, areas suffering from chronic high unemployment will be among the target areas as their unemployment is high. In addition, areas suffering chronic unemployment are the target of the regular comprehensive EDA programs.

4. Q. Some of the applications that were funded in the first round were not always those that were most needed by that particular community. How can we make sure that the projects that get funded are those that are the highest priority of that particular community? Should communities rank their applications?

A. We believe that local officials should be given the opportunity to identify and have funded those projects which reflect local priorities and needs, wherever possible. We intend to have applicants prioritize projects when they submit more than one project.

5. Q. On page 13 of your Statement you mention the problem created by the use of two different sources of unemployment data -

A. If you used only one system, which one would you choose and

B. What are the limits on the availability of that data and the geographical areas covered.

A. The BLS is now providing us with monthly data for every county in every state (except in a few states where Labor market areas are substituted for counties). We also receive data for SMSA's and for all geographic units defined for the CETA program. The data series is now current thru October, November data are in transit to EDA, and, by mid-March, the calendar year 1976 monthly and annual average data will be delivered. Because of its greater uniformity than the SESA data, we will use the BLS information whenever possible.

Senator **Burdick**. Mr. Eden, I would like to join the members of the committee in complimenting you on a good job done in a very difficult situation. As you know, I say that despite a couple of errors in my own statement, I know this has been a tremendous job and I appreciate it.

Mr. **Eden**. Thank you, Senator Burdick, very much.

Senator **Burdick**. I am going to save time. We are getting close to the recess hour and I, too, am going to submit to you a list of questions that I hope you can reply to by on or before this coming Friday. Can you do that?

Mr. **Eden**. I realize you have a short timetable you are working on. We will prepare the answers quickly.

Senator **Burdick**. I think you can do it in that time frame.

Mr. **Eden**. Yes.

[Senator Burdick's questions follow:]

EXHIBIT D Page 99

1. Q. In my State of North Dakota, the city of Minot has a relatively large number of unemployed individuals but only a 5.9% rate of unemployment?

Rollette County, on the other hand had an 11% rate of unemployment but only 1/6 the number of unemployed in Minot.

Rollette County received a grant under the last round, while Minot did not. Does this jibe with the Statement you have made today that this program is "extremely sensitive to providing jobs for the needy"?

How would you modify the regulations to correct this problem.

A. The legislation requires separate competition for applicants such as Rollette, with a rate of unemployment above the national average, and for applicants such as Minot, with unemployment below the national rate. In fact, Minot fell into the third, and lowest, legislative priority category applicants with a rate of unemployment below 6.5%. No applicant in this third category received funding, and it seems clear that such jurisdictions are more able to cope with their economic problems than a county with an 11% rate of unemployment.

The number of unemployed in an applicant area was a factor in the selection process, but a logarithmic function compressed the difference between the absolute numbers to achieve a measure of equity among areas of varying population. As a result of the logarithmic formula used, and because applicant demand greatly outstripped available funds, certain anomalies occurred. We hope to prevent a recurrence of such problems by a simplified formula that uses only four factors - number of unemployed, rate of unemployment, per capita income, and type of applicant (unit of general local government, special purpose unit, or state government). Additionally, the consideration of the number of unemployed will more closely reflect the absolute numbers.

2. Q. What is your recommendation for standardizing unemployment data?

A. The 12-month average for 1976 should be used. All unemployment data for county and county equivalents, except for Indian reservations, should be from the same source, the Department of Labor. Indian tribes should use the latest BIA data. Section 108(c) which allows applicants to use alternate sources should be eliminated

3. Q. What time delay would you expect were applicants required to update cost estimates and unemployment data?

A. We recommend that the applicant not be required to update their own unemployment data. EDA will itself update unemployment data. This would not cause any delay.

We believe that all applicants can update their cost estimates within two weeks of the final regulations being published. We intend to communicate directly with each applicant as soon as legislation is enacted so that each will be aware of needed information and the dead-line for its submission. The two weeks during which the applicant will be doing this will be utilized by EDA to up-date the unemployment data and revise project area definitions.

4. Q. How will you know if unemployed persons get the jobs on these projects?

A. Although we will have no direct evidence that the people employed on the LPW projects were previously unemployed, there will be new jobs created by the injection of these LPW funds. Consequently, even though these specific individuals may not have been previously unemployed, there should be additional jobs created which will be available to other unemployed persons. In short, additional construction jobs will be created which will have a direct effect on the number of unemployed construction workers.

5. Q. I understand about 19 states got the minimum $10 million. It's pretty hard to get much spread with such a small amount. Do you think it would make any sense to double that figure to $20 million?

A. It is the position of EDA that the program should be administered to assure a maximum relationship between the investment and the distress being experienced by the locality. Looking solely at the distress factor, many states would not even receive the $10 million allocation. Increasing this allocation would further distort the effectiveness of the funds, and effectively discriminate against those areas where the need is the greatest. Consequently, we do not believe that this minimum allocation should be increased.

6. Q. I understand 65% of the grants went to cities or applicants within SMSAs. Yet the cities appear to be unhappy. What is their gripe?

A. While certain cities were quite happy with the grants they received, there were other cities who received little or no grant funds. They blame this on the 70/30 issue, as well as the "gerrymandering" of project areas. Under the procedure contemplated for the second round, these two factors will be eliminated. This will result in the selection of many projects from the heretofore unfunded cities.

7. Q S. 427 proposes a special set aside fund for Indians. There is an argument that it guarantees a definite amount, at the same time giving non-Indian

communities a better chance to get a grant. What is your view?

A. We recommend that a special fund be set aside for Indians. This would assure that Indian projects would be adequately funded, and at the same time provide a more competitive balance for non-Indian communities within certain states. Further justification for an Indian set aside arises from the fact that unemployment statistics for Indian reservations are collected on a different basis and are not directly comparable to those collected in non-Indian areas.

8. Q. I know the 70/30 split in the more urban states with high unemployment communities caused some problems. Did you have complaints in less populous states? Would it make sense to have a different formula for different states?

A. Complaints regarding the 70/30 allocation came from states both large and small, although more inequities obviously occurred in more populous areas. Any arbitrary allocation formula of this type will cause inequities, in that less hard hit areas will receive funding which otherwise, if allocated strictly on basis of need, would go to areas having higher unemployment rates.

I do not think it would be wise to have different formulas for different states. This would make for segmented administration of a program which is national in scope.

9. Q. I know we required you to get this program going quickly--30 days for regulations, 60 days for processing, and on-site labor in 90 days after project approval. Do you think that is reasonable for the second round? If not, why not?

A. In our opinion, we can comply with these time schedules during the second round. Assuming no substantial revision of the requirements of the legislation, it would appear that applicants would need only to provide EDA with up-dated cost data on their projects. The other information which would be necessary, such as unemployment data and income data, would be obtainable by EDA within this time period.

In order to have a prompt impact on the construction industry, it is necessary to also retain the 90 day on-site legal requirement.

10. Q. It is always said that a public works job costs more than a public service job. From your research and experience, is there an effective argument in favor of a public works program like this in times of sustained unemployed at high levels?

A. The LPW program is basically a countercyclical measure to stimulate the national economy by providing significant opportunity for quick-start construction of needed public facilities while drawing on construction trades labor, one of the groups hardest hit by unemployment currently. In addition to the employment so generated during actual construcion of the facilities, there is an added, more long-range stimulus resulting from jobs generated by the type of facility--such as a new health center - which will provide additional continuing employment for the term of its useful life.

11. Q. Do you have any way of insuring that some of these jobs go to young people? We know that so many of the unemployed are youngsters.

A. Although we recognize that there is a problem of youth unemployment, the Local Public Works program is not a suitable vehicle for addressing it. Any attempt by EDA to guarantee youth employment in this program would be administratively cumbersome and would result in a delay in project funding and construction. However, we believe that many young people will work on LPW projects.

12. Q. How do you know how the money will be spent after you make the grant? Will you send your staff out to follow-up? What happens if the project runs out of money before it is completed?

A. EDA will be furnished with copies of the tabulation of bids, and also the architect/engineers'/preliminary estimates thereof. In addition, the grantee will provide the Regional Office with a notice to proceed. At the time the project is completed, an audit of the project cost will be completed and copies thereof delivered to the EDA Regional Office. Applicants are solely responsible for cost over-runs.

13. Q. What in your opinion needs to be done to the applications you have from the first round to get them ready for the second round? Can you do that without sending them back for revision?

A. We believe that the unemployment data should be updated, that the project areas should be redefined, and that the project cost estimates should be updated. The only new information which we would require from the applicant would be an update of the cost data. This could be provided to EDA without the applications being sent back.

14. Q. Many applicants didn't get their project in on time because of bad weather, or a misunderstanding about the deadline, or because of a fault that was EDA's not theirs. In a second round, don't you think these communities should get consideration?

A. Yes, we suggest that all applications received by December 23, 1976 should be eligible for funding under the second round. This extended deadline would enable many of these type of problems to be solved.

15. Q. I am bothered by the fact that your system of selecting projects did not permit a community to tell you that of many applications submitted some were of a higher priority than others. How can you change that so you get the applicant's priorities?

A. We believe that local officials should be given the opportunity to identify and have funded those projects which reflect local priorities and needs, wherever possible. We intend to have applicants prioritize projects when they submit more than one project.

16. Q. How did you handle problems that had some question about their environmental impact? You did not have time to prepare an environmental impact statement.

A. Additional personnel were hired in the Regional Offices and in the Washington headquarters to review each LPW project application for possible adverse environmental impact. Environmental reviews were conducted within the constraints imposed by time and information. Where environmental problems were evident and not resolved at staff levels, the Regional Directors made recommendations for final disposition to the Assistant Secretary. In those cases where an Environmental Impact Statement may normally have been required, a few projects were denied for adverse environmental impact through the abbreviated LPW environmental review process since, as you indicated, the time constraints imposed by the legislation did not permit preparation of a full EIS. In other cases where it was evident that environmental concerns required mitigations projects were approved subject to special conditions placed on the grant offer which would, if met, allow successful completion of the project with minimal environmental impact.

17. Q. States didn't get many projects, nor did county governments. School districts got more than 20% of the money. How do you account for that?

A. State agencies received 111 projects of the approximately 2,000 selected for approval; counties received 230 and school districts, 241. In dollar amounts, the breakdown is:

States	109,328,391
Counties	241,656,401
School Districts	308,689,863
Cities	1,112,130,985

Thus, the dollar percentage going to school districts was about 15.5%. The scoring formula gave school districts and general purpose units of government the same maximum weight whereas State applicants received a lesser weight in the scoring formula. Therefore, school districts and general purpose governments were more equally competitive.

18. Q. In the third round--if there is one--S. 427 permits non-profit health and rehabilitation organizations to apply; and we are requiring that all applicants put up as local share 20% of the project unless they can demonstrate fiscal poverty. What is your view of these two amendments?

A. If there is a third round non-profit health and rehabilitation organizations as well as other non-profit organizations eligibility should be considered. Our reaction to the matching share provision is under question 24.

19. Q. I realize that EDA had to make a number of administrative decisions that had a great deal to do with who would be selected. These were not in the law that we passed, as I understand it. Some of these involve your rule against "undue concentration," setting substate "benchmarks," using a logarithmic method to give smaller communities with few numbers of unemployed some comparability with bigger places with many more unemployed. Do you recommend any changes in these mechanisms?

A. The use of the sub-state benchmarks would have the effect of preventing undue concentration of projects within a State. We believe that this approach should be continued in the second round in order to avoid such a concentration of projects.

We recommend, however, that the logarithmic method previously used in considering the number of unemployed should be eliminated, and absolute numbers of unemployed be more directly reflected. This will focus the financial assistance in those areas of greatest distress.

20. Q. I have heard that a number of projects that finally were funded were not the ones--for reasons of error, misinformation and so forth--that you had on your December 23 selection list. What did you do with these fall-out funds?

A. Fall-out funds from projects which have been denied for various reasons since appearing on the December 23, 1976 list have been applied to other high-ranking projects in accordance with the statutory requirements and administrative guidelines used in the original selection process.

21. Q. Have you set up any system to evaluate the effectiveness of this program? That is, who got the

jobs? How much did they cost? How much time was required for completion of the projects?

A. Yes, we have established an evaluation plan whereby these questions can be answered. Data will be collected from the grantees as the projects are being constructed which should provide us with an assessment of (1) the distribution of LPW employment among previously employed and unemployed, (2) the duration of their employment and, (3) the program's impact on the previously unemployed experiencing different periods of unemployment prior to working on LPW construction activities. Additionally, an attempt will be made to correlate project labor requirements over time with changes in the cyclical components of the unemployed labor pool.

22. Q. So much of the scoring depended upon knowledge of unemployment. Did you get reliable data? What problems do you see the second round?

A. The Bureau of Labor Statistics prescribed and policed the methodology used by the States to furnish data which was supplementing what BLS itself was able to provide. We have no reason to question the reliability of the data or to anticipate problems in the future.

Senator BURDICK. Senator Gravel?

Senator GRAVEL. I have nothing else.

Senator BURDICK. We will recess until tomorrow at 9:30.

[Whereupon, at 11:45 a.m., the subcommittee was recessed to reconvene at 9:30 a.m., Thursday, February 3, 1977.]

PREPARED STATEMENTS SUBMITTED FOR THE RECORD FROM TODAY'S PROCEEDINGS

STATEMENT OF HON. DONALD W. RIEGLE, JR., U.S. SENATOR FROM THE STATE OF MICHIGAN

Mr. Chairman, and Members of the Subcommittee, I appreciate this opportunity to testify in support of S. 427, the Public Works Employment Act of 1977.

There is clearly a need for strong, quick, and direct action to stimulate the economy and create jobs for our unemployed. I believe public works must be a key part of our national economic stimulus package, with at least $4 billion in new budget authority. And I strongly support President Carter's inclusion of public works in his proposed economic stimulus package.

This legislation is needed because the economic recovery has been so badly lagging in recent months, with the national unemployment rate staying static near 8 percent, and now with the possibility that the recent cold weather and energy crisis could further impede the recovery. In my own State of Michigan, unemployment is near 9 percent, or 350,000 people, the 4th highest unemployment rate in the country.

I commend you for so quickly considering this important piece of legislation, which would authorize an additional $4 billion for a renewed Public Works program, and $1.5 billion for community improvement projects employing young people. During the last Congress, when thousands of construction workers were losing their jobs, this Committee responded with the Public Works Employment Act, in order to provide vitally needed economic stimulus.

I believe there are strong arguments at the present time for reauthorizing and expanding the Public Works program in particular. I have long been a supporter of public works as a key countercyclical tool, having co-sponsored and testified in favor of the current Public Works Act in April of 1975 I felt then, and I feel today, that public works has a number of key advantages as a countercyclical tool, including:

TARGETABILITY TOWARDS AREAS WITH HIGH UNEMPLOYMENT

Public Works grants can be targeted towards economically depressed areas of our country, both urban and rural. This program succeeds far better than most federal programs in returning federal dollars to economically depressed regions.

TARGETABILITY TOWARDS THE CONSTRUCTION INDUSTRY

A public works program is a vital stimulus to the construction industry, which was so hard-hit during the recent recession. Accordingly to the Bureau of Labor Statistics' official estimates, unemployment in the construction industry is currently almost twice the national average at 14 percent, or 620,000 people. Total employment in the construction industry has actually decreased by 134,000 people since the recession officially "ended" in March 1975, and the construction industry is down from its normal 10 percent of GNP to around 8.6 percent today. This lag has clearly inhibited the national economic recovery.

Public sector construction in particular fell off sharply during this recession, as inflation, decreased tax revenues, and a tight municipal bond market have forced local governments to cut back on planned capital expenditures. According to a recent survey by the U.S. Conference of Mayors, over half of all U.S. cities have been forced to defer planned capital expenditures. Compared to 10 years ago, the overall national level of public sector construction has dropped by 25 percent in noninflated dollars.

EFFECTIVENESS IN CREATING PRIVATE SECTOR JOBS

Public works creates more jobs per dollar than a tax cut, and has a much higher "multiplier" effect on the private sector than other forms of direct job-creation such as public service jobs or countercyclical aid. The $4 billion authorized in S. 427 would create approximately 300,000 jobs directly in the construction industry, 300,000 jobs in supplier industries, and hundreds of thousands of additional jobs in other sectors of our national economy. And millions of people in the families of these workers would be helped.

QUICKNESS IF PROPERLY DESIGNED

Our experience with the current Public Works program has proven that a public works program can be implemented quickly, contrary to the traditional argument that Public Works programs take too long to get underway in a recession. As you know, the Public Works Employment Act of 1976 was approved towards the end of the last Congress, and on-site labor on most of the projects funded under this Act will begin by April 1st of this year.

Furthermore, the Economic Development Administration (EDA) currently has a backlog, leftover from the current round of funding, of over 20,000 unfunded public works projects, totaling over $20 billion, on which on-site labor could begin within 90 days. My own State has a backlog of over $1.7 billion in unfunded applications for the current Public Works program. Given these huge backlogs, a new public works authorization could be implemented in even less time than the 1976 Public Works Act.

LONG-TERM INVESTMENT

A public works program differs from other countercyclical tools in that it provides new public facilities of lasting, long-term value for a community. In setting our national budget priorities, we should consider public works expenditures in a somewhat different light than other government spending, since public works projects really represent a long-term investment, with incalculable future returns on that investment in economic, social, and human terms.

ECONOMIC FLEXIBILITY

Finally, a public works program, if properly designed, "self-liquidates", by which I mean that there is a certain time-period for a public works project, and once a project is completed, continued funding is not essential. At the present time, with unemployment predicted to remain above the full employment level through 1980, there seems little chance that the public works expenditures authorized by this program will over-stimulate the economy in the years ahead.

For these reasons, I strongly support an immediate renewal of the Public Works Employment Act. And as we evaluate the effects of the current energy crisis on our economic recovery, I believe the Congress and the President should seriously consider whether more public works funds should be authorized and appropriated under this program.

At the same time, I would urge the Committee's careful consideration of several needed reforms to the current Public Works formula. In the last round of funding, over 90 percent of Michigan Public Works applicants ended up competing for the 70 percent segment of Michigan's state allocation. Only 57 of the 1400 Michigan applications in the 70 percent category were funded, while 47 of the 98 applications in the 30 percent segment received funds. Furthermore, EDA's formula used to distribute funds de-emphasized an area's actual number of unemployed.

Both of these technicalities in the formula and EDA's administration of the Public Works Act prevented many middle-sized and large cities from fairly competing for funds. In my own State of Michigan, none of the "middle cities" Flint, Lansing, Grand Rapids, Muskegon, Saginaw, Bay City, Kalamazoo, or Jackson—received any Public Works grants, despite their high unemployment rates and budgetary problems. And virtually no Michigan community with an unemployment rate between the national average of 7.8 percent and 10.5 percent received any Public Works money.

I believe that in the next round of funding, the Public Works formula should place more emphasis on the actual number of unemployed in an area. In addition, there should be some attempt to standardize the type of project area used by applicants, and the 70 and 30 percent categories should be combined, so that all applicants can start off on a relatively equal basis in the competition.

Let me again emphasize that, despite some problems with the current round of funding, the Public Works Employment Act approach has been a success overall, and its re-authorization is vitally needed. I would hope that any kind of formula revision will not delay Congress' speedy enactment of the Public Works Employment Act of 1977.

Finally, let me briefly comment on Title II of the new Public Works bill, which provides for a Youth Community Improvement Program. As you know, unemployed young people between the ages of 16 and 20 make up one-quarter of all the unemployed in our nation, despite the fact that young people in that age range comprise only 10 percent of our total population.

In my own State, the problem of youth unemployment is particularly severe. In the City of Detroit, the youth unemployment rate ranges up to 40 to 50 percent. It is my belief that the youth unemployment problem is one of the key impediments to the desperately needed economic revitalization of our cities, and of our country as a whole.

I think it essential that we in the Congress take a leadership role in confronting the youth unemployment problem, and I commend Chairman Randolph, Senator Stafford, and the other co-sponsors, for initiating this portion of the Public Works Employment Act of 1977.

Again, I greatly appreciate the opportunity to testify on S. 427 here today. I believe the quick passage of S. 427, the Public Works Employment Act of 1977, is essential, and I will do everything I can to work together with you to get this legislation through the Senate and enacted into law.

TESTIMONY OF

SENATOR HUBERT H. HUMPHREY

before the

SENATE COMMITTEE ON PUBLIC WORKS

February 2, 1977

Mr. Chairman, I appreciate the opportunity to testify on the Public Works Employment Act, and I congratulate you and the members of the Public Works Committee for your swift action on this measure.

Despite some reservations I have with Title II -- the Youth Community Initiatives program -- I enthusiastically support the Public Works Employment Act and I would like to offer you any assistance I can in helping speed its enactment.

1976 was a disappointing year. We achieved very few of our economic objectives. We did a relatively good job on prices, getting the inflation rate down below five percent, but we did a very poor job on economic growth and unemployment.

From the fourth quarter of 1975 to the fourth quarter of 1976, the growth of real GNP amounted to only 5.1 percent, with much of the growth concentrated in the first half of the year. The second half was dismal.

As a result, unemployment decreased very little during 1976, from 8.3 percent in December 1975 to 7.8 percent in December 1976, a reduction of only one half percentage point.

Last week, we received the outlines of an economic stimulus package from President Carter which recommends a combination of $31.2 billion in tax cuts and new spending between now and the end of fiscal 1978. I commend the new Administration for its swift recognition of the need for immediate economic stimulus. I am concerned, however, that the stimulus package may not be sufficient to meet the laudable economic goals set by the new Administration. If the economy remains weak, we may need more stimulus this year, and a greater emphasis on job-creation programs.

This is just what the Public Works Employment Act would do. An additional $4 billion for public works projects is one of the quickest and most effective ways of stimulating economic growth and jobs. There is no doubt that this $4 billion can have an immediate and positive impact on our economy. The Economic Development Administration has received $20 billion worth of applications representing 20,000 projects from all over the country. The best and most urgently needed $4 billion of these projects could be approved and funded immediately. In addition, there are about 4,000 applications which need some revisions but which could be ready for consideration within one week.

EDA assures me that they have the staff to evaluate and approve $4 billion worth of new projects very quickly -- $2 billion right away and another $2 billion within a month or two. I think it is important to point out that these projects can get off the ground right away. I remember the first time we passed the bill creating these public works jobs. It was vetoed on the grounds that the work wouldn't begin until the recovery was going full steam. Well, I hope the experience with this program has taught us a lesson. Each and every application for the original $2 billion received by EDA is for a project that can be started within 90 days. If we act quickly, every single project that is approved could be underway by May or June. We've found ourselves a new antirecession tool here. I hope that we will make good use of it.

I want to congratulate the staff of the EDA for the marvelous job they have done in getting this program off the ground and the first projects approved. Many civil servants have worked long and hard to carry out the will of Congress. As a result of these severe time constraints, some problems have developed in the initial $2 billion allocation. I have a few suggestions for the Committee that I believe will make the allocation of the next $4 billion go more smoothly and more equitably.

First, the applications that EDA has on file should be used for allocating the additional appropriations. This will speed up the allocations process, insuring that the economy gets a quick boost. It will minimize the burden on small communities.

I have received a number of distressed phone calls and letters from small towns in Minnesota regarding the application process. They are concerned that they will have to go through the long ordeal of preparing and submitting applications again. We should make sure that our smaller communities do not have to bear this burden. It makes good sense to use those applications that already have been submitted.

While it certainly is advantageous to use the existing applications, I hope that EDA will not enforce this limitation with an iron fist. This would cause serious inequities in my State and perhaps in others. Several communities in Minnesota, particularly the large cities in our Twin Cities region, didn't get their applications to EDA on time. Why did this happen? Not because they were irresponsible, I can assure you. It occurred, quite simply, because it snowed on December 3, the deadline for applications. I think that EDA should be a little flexible, so that acts of Nature do not interfere with meeting the very real needs of our local governments. It may not be necessary to include language in the new legislation to correct this inequity, but I hope your Committee report will instruct EDA to be sufficiently flexible to alleviate this problem.

Second, this Committee should carefully reexamine the requirement that 70 percent of appropriations be allocated to areas with unemployment above the national average, and 30 percent to areas below the national average but above 6.5 percent. Enforcement of this requirement in each State has led to serious inequities. In many cases, areas with very high unemployment have gone unfunded because the 70 percent pot had been exhausted, while an area in the same State with much lower unemployment would have a project approved simply because it was lucky enough to fall into the 30 percent pot. This is not an intelligent or effective use of our scarce resources.

Of course, it is too late to change this requirement for the original $2 billion that has already been allocated. But for the next $4 billion, under consideration today, we should rethink our allocation process. We certainly don't want to force high unemployment areas to go without assistance while lower unemployment areas receive aid. I would recommend that this Committee consider raising the 70/30 split to a higher level, perhaps 85/15, or even eliminating it entirely. First priority under the new program should be given to high unemployment areas that were starved of funds in the first round. In addition, EDA should be instructed to apply any such requirement, be it 70/30 or 85/15, on a national, rather than State basis. This would certainly help in Minnesota -- where we could enlarge the 30 percent pot and channel more aid into areas like Minneapolis and St. Paul, which have 30 percent of the State's unemployed but unemployment rates below 7 percent. And it would help the high unemployment States concentrate their resources in the hardest-hit areas.

Third, we should give local elected officials more say in the project selection process. The formula which the EDA used to rank projects was not very flexible. As I understand it, EDA often had to carry out rankings to 8 decimal places in order to get a significant difference between projects. When an area has four or five projects with equal or similar scores, especially when one project is submitted by the local government, another by the school board, another by the sewer and water commission, etc., EDA should get together with the local officials and let them choose which projects will be most valuable to the local community. I would hate to see this excellent anti-recession program made ineffective because Federal officials rode roughshod over the desires of the people and their elected local representatives.

Fourth, EDA should be more sensitive to the special needs of local areas when it selects among projects. As you know, much of Minnesota and the upper midwest is in the midst of a terrible drought, and many small towns and rural areas in Minnesota are in desperate need of funds to rebuild and expand their water and sewer systems. Minnesota had 316 applications and only 22 were funded. Many of the unfunded projects would help lessen the impact of the drought. For example, the town of Melrose has submitted a $293,000 applications to improve and extend the town's water and sewer mains, and the town of Lindstrom has submitted a $379,000 application for sewers. With the next $4 billion in projects, the EDA must become more sensitive to priority needs within each State, and they may well want to work closely with State and local officials to develop a better ranking of projects within each State.

Fifth, we should limit the flexibility with which local governments are allowed to define their local labor markets. The rule of thumb for many jurisdictions seems to have been, "Find me an unemployed worker and we'll figure out a way to include him or her in our labor market." This feature has penalized those jurisdictions that have defined their labor markets in an honest and sincere fashion. It also has permitted many less-needy suburban jurisdictions to gerrymander their labor markets so that they received assistance, while projects in more needy central cities, suburban and rural areas went unfunded. While we should permit truly regional projects to be considered as such, we must be very careful to avoid abuses of this concept.

Finally, I believe that this Committee should develop some mechanism that prevents very small jurisdictions from usurping a major portion of a State's public works funds. In one case, a tiny community of 2100 people used one-half of an entire State's allocation for a city hall. One way that this inequity could be prevented is to put a cap on the amount that any jurisdiction could receive per person. This cap would have to be generous, perhaps $300 per person, so that small communities still would be eligible (this would permit a town of 2,000 population to receive a $600,000 grant for a city hall). And it should be based on the number of people that benefit from a project and not the number of people living in the jurisdiction in which the project is located. (Thus, a county health facility that benefits 100,000 people would be eligible for a larger grant than a city hall which benefits 2,100 people, even if they were to be constructed on the same site.)

I offer this proposal simply as a suggestion. I am not certain that it is the best way to prevent the undue concentration of funds in a few small jurisdictions. But, it clearly is one alternative that must be considered.

Now, Mr. Chairman, I would like to say a few words about title II of the Public Works Employment Act, which would establish a Youth Community Improvement program.

You, Mr. Chairman, and Senator Stafford, who originally introduced this program in S. 306, must be commended for moving so swiftly to provide employment assistance to the millions of young people in this country who are unemployed but so desperately want to work and be productive members of our society. Your program would help many of those young people.

Although I do not believe that this program is wholly adequate to relieve this complex problem of youth unemployment, it should be an essential part of the comprehensive program to reduce youth unemployment which I believe we must begin to develop on an urgent basis and as a top priority.

As you know, Mr. Chairman, unemployment among youths is one of the most distressing economic problems facing our country today. Teenagers and young adults suffer from higher unemployment rates than any other group of workers. During 1976, almost 20 percent of our Nation's youths were unemployed at any one time, triple the rate for adults over 25 years old. For black youths, the unemployment rate averaged a staggering 40 percent last year, and this doesn't even count the large number of black youths who have become so discouraged that they have just given up looking for work.

Economic recovery alone will not solve the problem of youth unemployment. Much youth unemployment is structural, and too many youths would be jobless even if the Nation's economy were at full employment. Many youths, and minority youths in particular, live in inner cities and rural areas where the job situation is so depressed that unemployment can become the only way of life a young person knows.

There has been a relative decline in the number of small businesses, the part of the economy which has traditionally provided youths with the entry level jobs that teach them good work habits, responsibility and punctuality.

An ever-deepening gulf has developed between our schools and the world of work, which leaves many young people unprepared for work.

Many youths face artificial barriers, such as the requirement of a high school diploma for even the lowest-level jobs.

And all of this has been exacerbated by the recent rapid growth in the number of youths in the labor force, who find the competition for existing jobs growing more and more fierce.

These structural aspects of youth unemployment must be dealt with directly through enactment of specially-targeted youth employment programs. This is one place where Congress can act with the support of every segment of our society. There is overwhelming support in this country for a youth employment program. Last month, a nationwide Gallup poll showed that 85 percent of those surveyed favor having Congress enact a youth employment program. The most enthusiastic supporters were youths themselves, who favored enactment of a jobs program by a margin of 93 percent to 5 percent.

I have a few suggestions for the Committee's consideration, as you develop a youth employment program. Many of these proposals are contained in the Comprehensive Youth Employment Act, S.170 which I introduced on January 11th with Senator Javits and others.

First, each youth in this country has a different job problem, and we can't depend on just one program to help all of them. Youth unemployment is a variety of problems, and an effective remedy will have to include a variety of approaches.

At one end of the spectrum are a number of youths who have completely failed in, or been failed by, our educational and training system, and who have no hope of ever becoming a productive member of our economy without substantial help in the way of remedial education, substantial job training, job counseling, and the individual support of someone who cares.

At the other end of the scale are a large number of youths who have succeeded in the educational system, who have used their educations to develop good work skills, and who only need effective job counseling or placement services to get a good entry-level job.

In between are: In-school youths who need part-time work to give them the money or interest they need to stay in school; Youths who need special job training programs to gain the special job skills needed for their occupation; Youths who need work experience to test different occupations and to gain the information needed to make an intelligent occupational choice; And, Youths who are out of work and simply need a job during a cyclical downturn or until they gain the experience needed to become eligible for a regular private or public job.

Second, we have to remember that most jobs in this country are in the private sector. That is where most young people will eventually spend most of their lives working. To the fullest extent possible, we should look to the private sector for a significant number of the jobs in a youth employment program and we should bring the private sector in as a full-scale participant.

Third, most teenagers don't have the work experience or information needed to make life-long career choices. They shouldn't be forced into sophisticated job training programs. A youth employment program should give them the chance to learn what it means to hold a job, it should provide some basic work skills, it should give some information about different occupations, and it should provide fairly decent pay. Jobs for teenagers don't have to be high-level jobs with lots of expensive training, since most youths will end up in a far different occupation than the one in which they start.

But they do have to be useful and productive jobs. Youths don't like leaf-raking jobs any more than the rest of us do.

They want their product to be valuable to somebody and they want to feel they are contributing. They want useful and productive work. We have to be very sensitive to this as we put together a youth employment program.

So, Mr. Chairman, the Youth Community Improvement Program would be a welcome antidote to some important aspects of our youth unemployment problem. However, I would prefer to see this title considered as part of the truly comprehensive youth employment approach that we must mount if we are to be successful in dealing with this complex set of problems.

Finally, I want to compliment the Committee for moving so wisely and rapidly to authorize additional vitally needed emergency public works projects. The combination of high unemployment, slow economic growth, and vastly underutilized capital resources make it both desirable and necessary to move quickly with this program. I am hopeful that the full $4 billion will be authorized and appropriated for use this fiscal year.

We have good projects ready to go, we have broad support from the American people, we have administrative machinery in operation and we have a clear and present need for this program.

Now let us get the funds out into the country as quickly as possible to do the job that needs to be done.

STATEMENT OF HON. HOWARD M. METZENBAUM, U.S. SENATOR FROM THE STATE OF OHIO

MR. CHAIRMAN, I AM PLEASED TO TESTIFY TODAY BEFORE THE ECONOMIC DEVELOPMENT SUBCOMMITTEE IN SUPPORT OF S. 427, THE PUBLIC WORKS EMPLOYMENT ACT OF 1977. THIS LEGISLATION WOULD AUTHORIZE $4 BILLION FOR PUBLIC WORKS PROJECTS IN FISCAL YEARS 1977 AND 1978.

WHILE THERE WERE SHORTCOMINGS IN THE LOCAL PUBLIC WORKS CAPITAL DEVELOPMENT AND INVESTMENT ACT OF 1976 AND ITS IMPLEMENTATION, THE CONCEPT OF PUBLIC WORKS PROGRAMS IS SOUND, AND THE NEED FOR FURTHER FUNDING IS CLEAR.

THE UNEMPLOYMENT CRISIS IN THIS COUNTRY STILL RAGES. IN DECEMBER, 1976, THE NATION'S UNEMPLOYMENT RATE WAS 7.8%. THIS WAS ONLY ONE-HALF OF ONE PERCENT LOWER THAN A YEAR EARLIER, AND WAS ACTUALLY UP FROM 7.3% IN MAY, 1976. THIS MEANS THAT 7.1 MILLION PEOPLE ARE OUT OF WORK AND LOOKING FOR EMPLOYMENT. MILLIONS MORE ARE ALSO UNEMPLOYED, BUT HAVE GIVEN UP LOOKING FOR WORK BECAUSE OF THEIR CONSISTENT LACK OF SUCCESS.

THE CONSTRUCTION INDUSTRY IS IN EVEN WORSE SHAPE THAN OUR ECONOMY IN GENERAL. IT HAS EXPERIENCED AN UNEMPLOYMENT RATE OF 20 TO 40% IN THE PAST FEW YEARS. WHILE THE CONSTRUCTION INDUSTRY USUALLY CONTRIBUTES A HEALTHY 10-12% OF OUR GROSS NATIONAL PRODUCT, IT NOW ONLY ACCOUNTS FOR A

DEPRESSED 8.6%.

WITHIN MY OWN STATE OF OHIO, 309,500 WORKERS ARE OFFICIALLY UNEMPLOYED, WHILE THOUSANDS MORE ARE ALREADY OFF THE OFFICIAL ROLLS. THE HUMAN TRAGEDY THAT THIS HIGH LEVEL OF UNEMPLOYMENT REPRESENTS CANNOT BE IGNORED, AND THIS COMMITTEE SHOULD BE COMMENDED FOR ITS SENSITIVITY TO THIS SUFFERING.

UNEMPLOYMENT DOES MORE THAN AFFECT THE PARTICULAR WORKERS OR INDUSTRIES INVOLVED. IT SENDS SHOCKS THROUGH OUR ENTIRE ECONOMY. LAST YEAR ALONE, THE GOVERNMENT SPENT $19 BILLION ON UNEMPLOYMENT COMPENSATION BENEFITS. IF THE ECONOMY WERE TO BE AS FULLY EMPLOYED IN 1976 AS IT WAS IN 1974, WE WOULD HAVE 40 BILLION DOLLARS IN ADDITIONAL TAX RECEIPTS, ASSUMING NO CHANGE IN TAX RATES, AND 12.7 BILLION DOLLARS LESS IN AID TO THE UNEMPLOYED. THIS INCREASE OF 52.7 BILLION DOLLARS WOULD MORE THAN WIPE OUT ONE HALF OF THE CURRENT FEDERAL BUDGET DEFICIT. RATHER THAN KEEPING MILLIONS OF PEOPLE UNEMPLOYED AT GREAT COST, WE OUGHT TO PURSUE POSITIVE POLICIES TO RELIEVE UNEMPLOYMENT AND RETURN THE NATION TO ECONOMIC HEALTH.

FEDERAL GRANTS FOR PUBLIC WORKS PROJECTS ARE ONE OF THE BEST METHODS FOR INCREASING EMPLOYMENT. EACH $1 BILLION SPENT FOR PUBLIC WORKS CREATES 75,000 JOBS FOR ONSITE CONSTRUCTION ACTIVITIES. AN ADDITIONAL 75,000 JOBS ARE CREATED IN OFFSITE INDUSTRIES THAT PROVIDE SUPPORT AND MATERIALS.

THUS THE $2 BILLION THAT WAS AUTHORIZED LAST YEAR AND IS NOW BEING ALLOCATED BY EDA WILL PROVIDE 300,000 JOBS. BUT WITH OVER SEVEN MILLION PEOPLE UNEMPLOYED, WE NEED TO DO MORE THAN SUPPLY FUNDS FOR 300,000 JOBS. AN ADDITIONAL $4 BILLION WOULD PROVIDE 600,000 JOBS OVER THE NEXT TWO YEARS, AND WOULD LOWER THE UNEMPLOYMENT RATE 0.7 PERCENTAGE POINTS. THUS WE WILL HAVE FUNDED NEARLY A MILLION JOBS FOR FISCAL YEARS 1977 AND 1978.

OVER 80% OF THE JOBS CREATED UNDER THIS BILL WILL BE IN THE PRIVATE SECTOR, EITHER IN THE CONSTRUCTION INDUSTRY OR ITS SUPPORT INDUSTRIES. CONSTRUCTION WOULD BEGIN WITHIN 90 DAYS, AND WE WOULD SOON BE ABLE TO REAP THE BENEFITS AS THE ECONOMY RESPONDS TO THIS STIMULUS. THE PROJECTS THEMSELVES WILL HAVE A LASTING PUBLIC BENEFIT. THEY WILL PRODUCE SUCH PUBLIC FACILITIES AS ROADS, COURTHOUSES, SCHOOLS, LIBRARIES AND PARKS. THE JOBS WILL BE REAL JOBS PROVIDING REAL BENEFITS TO THE COMMUNITIES INVOLVED AND TO OUR NATIONAL LIFE.

COMMUNITIES ACROSS THE NATION HAVE BEEN CRYING OUT FOR MORE FUNDS. WE SHOULD RESPOND TO THEIR NEED. UNDER THE 1976 ACT, THERE WERE 22,275 APPLICATIONS REQUESTING $20.3 BILLION. ONLY 1988 PROJECTS WERE FUNDED, LEAVING 20,287 FRUSTRATED APPLICANTS, WITH MANY WORTHY PROJECTS UNFUNDED. IN MY OWN STATE OF OHIO, WITH $59.5 MILLION ALLOCATED, ONLY 48 OF 1129 APPLICATIONS WERE ACCEPTED. I THINK IT IS EVIDENT THAT WE SHOULD AUTHORIZE THESE ADDITIONAL FUNDS FOR PUBLIC WORKS PROJECTS. EXTENSION OF THE PROGRAM WOULD

REAFFIRM THE SPIRIT AND CONCERN WITH WHICH THIS COMMITTEE AND THE CONGRESS ACTED LAST SESSION. PRESIDENT CARTER HAS ADOPTED A $4 BILLION EXTENSION OF THE PUBLIC WORKS PROGRAM AS AN INTEGRAL PORTION OF $31.2 BILLION ECONOMIC RECOVERY PROGRAM THAT HE HAS RECOMMENDED TO THE CONGRESS.

MR. CHAIRMAN, WHILE THE NEED TO PASS THIS LEGISLATION IN ORDER TO RELIEVE UNEMPLOYMENT IS CLEAR, WE SHOULD NOT MOVE WITHOUT CAREFUL CONSIDERATION OF THE RESULTS OF THE $2 BILLION ALLOCATION UNDER THE 1976 ACT. EXPERIENCE WITH THE PROGRAM HAS DEMONSTRATED MANY AREAS OF POTENTIAL IMPROVEMENT. MANY UNFORSEEN DIFFICULTIES AROSE BOTH NATIONALLY AND IN MY OWN STATE OF OHIO, BOTH BECAUSE OF THE LANGUAGE OF THE BILL AND EDA'S ADMINISTRATIVE DECISIONS. I HAVE BEEN FLOODED WITH LETTERS FROM OFFICIALS IN EVERY METROPOLITAN AREA IN OHIO DETAILING THE PROBLEMS THEY EXPERIENCED, AND I SHARE MUCH OF THEIR SENSE OF FRUSTRATION. I WOULD NOW LIKE TO DISCUSS THESE DIFFICULTIES AND SUGGEST REMEDIES THAT WOULD PROVIDE FOR A MORE EQUITABLE DISTRIBUTION OF FUNDS.

THE MOST SERIOUS PROBLEM WITH THE 1976 LEGISLATION WAS THE SO-CALLED 70-30 SPLIT. THIS PROVISION REQUIRED 30% OF THE FUNDS IN THE BILL TO GO TO AREAS WITH UNEMPLOYMENT BETWEEN 6.5% AND THE NATIONAL AVERAGE, WHICH WAS AROUND 7.5% FOR THIS PERIOD. ONLY 70% OF THE FUNDS WERE SET ASIDE FOR AREAS WITH UNEMPLOYMENT ABOVE THE NATIONAL AVERAGE. THUS THIS PROVISION OF THE BILL UNDERMINED ONE OF THE BILL'S MAJOR PURPOSES -- TO GET MONEY AND JOBS INTO THE AREAS WHICH NEEDED

THEM THE MOST.

BECAUSE OF THIS PROVISION, IT WAS MUCH EASIER FOR COMMUNITIES TO RECEIVE GRANTS IF THEY HAD UNEMPLOYMENT RATES BELOW THE NATIONAL AVERAGE. BOTH NATIONALLY AND IN OHIO, AN APPLICANT HAD TWICE AS GOOD A CHANCE TO RECEIVE FUNDS IF IT WAS IN THE 30% GROUP. COMMUNITIES WITH UNEMPLOYMENT RATES OF 8 OR 9 PERCENT RANKED NEAR THE BOTTOM OF THE 70% GROUP AND RECEIVED NO FUNDS, WHILE COMMUNITIES WITH 7% UNEMPLOYMENT RANKED NEAR THE TOP OF THE 30% GROUP AND MOST LIKELY RECEIVED FUNDS. SITUATIONS DEVELOPING FROM THE 70-30 SPLIT WERE INEQUITABLE AND SUBVERTED THE PURPOSES OF THE BILL. THERE WERE 665 UNFUNDED PROJECTS IN OHIO WITH UNEMPLOYMENT RATES ABOVE THE NATIONAL AVERAGE AND ABOVE THE 22 RECIPIENTS IN THE 30% GROUP.

ADMINISTRATION OF THE 70-30 SPLIT BY EDA CAUSED AN EVEN FURTHER MALDISTRIBUTION IN OHIO. EDA DECIDED TO HOLD TO THE 70-30 SPLIT ONLY ON A REGIONAL BASIS. UNFORTUNATELY, OHIO GOT THE RAW END OF THE BALANCE. ONLY 61.8% OF THE FUNDS IN OHIO WENT TO AREAS ABOVE THE NATIONAL UNEMPLOYMENT RATE, WHILE 39.2% OF THE MONEY WENT TO AREAS BELOW THE NATIONAL UNEMPLOYMENT RATE. THE MONEY SIMPLY DID NOT GO WHERE IT WAS NEEDED MOST.

FURTHER EVIDENCE OF THE INEQUITABLE DISTRIBUTION OF

FUNDS CAN BEE SEEN BY EXAMINING THE CASE OF OHIO'S EIGHT MAJOR CITIES WITH OVER 100,000 PEOPLE. WHILE THE CITIES OF CLEVELAND, YOUNGSTOWN, CINCINNATI, DAYTON, TOLEDO, AKRON, CANTON, AND COLUMBUS CONTAIN 48.2% OF THE STATE'S UNEMPLOYED WORKERS, THEY RECEIVED A COMBINED TOTAL OF ONLY 22.8% OF THE STATE'S FUNDS. THIS STATISTIC IS CRITICAL AND OUGHT TO BE RE-EMPHASIZED. NOT EVEN A QUARTER OF OHIO'S FUNDS WENT TO AREAS CONTAINING NEARLY 50% OF THE STATE'S UNEMPLOYED PEOPLE. IN THE CITIES OF TOLEDO, AKRON AND CANTON, THREE CITIES IN WHICH 15.9% OF THE STATE'S UNEMPLOYED WORKERS RESIDE, NOT ONE GRANT WAS MADE. TOLEDO FACED AN ESPECIALLY FRUSTRATING SITUATION, AS TWO OF ITS SUBURBS IN MICHIGAN RECEIVED GRANTS OF OVER $1 MILLION. MANY OF THE OTHER CITIES RECEIVED A FAR LESSER AMOUNT THAN THEIR PROPORTIONATE SHARE OF OHIO'S UNEMPLOYMENT. YOUNGSTOWN, FOR EXAMPLE, CONTAINS 8.4% OF THE STATE'S UNEMPLOYED WORKERS, BUT RECEIVED ONLY 4.6% OF THE FUNDS. IN FACT, EVERY ONE OF THESE CITIES, EXCEPT FOR CLEVELAND, RECEIVED LESS THAN ITS PROPORTIONATE SHARE OF THE FUNDS.

MR. CHAIRMAN, I THINK THAT THIS NEW LEGISLATION SHOULD INSURE THAT FUNDS GO TO THE AREAS THAT NEED THEM THE MOST. I NOTE THAT THE BILL DRAFT RECOMMENDS THAT 85% OF THE FUNDS GO TO AREAS WITH UNEMPLOYMENT RATES ABOVE THE NATIONAL AVERAGE. I AM GLAD TO SEE THAT THE COMMITTEE HAS RECOGNIZED THE NEED TO CORRECT THE SITUATION THAT DEVELOPED WITH THE

ALLOCATION OF FUNDS.

SEVERAL OTHER PROBLEMS CONTRIBUTED TO THE MALDISTRIBUTION OF FUNDS. WHILE MANY OF THE CONSEQUENCES OF THESE DIFFICULTIES CANNOT BE PINPOINTED SPECIFICALLY, THE NEED FOR CHANGE IS EVIDENT. THE SECOND DIFFICULTY AROSE WITH EDA'S METHOD OF WEIGHING UNEMPLOYMENT FIGURES. IT DISCRIMINATED AGAINST AREAS WITH LARGE NUMBERS OF UNEMPLOYED WORKERS. EDA USED A LOGARITHMIC FUNCTION SUCH THAT AN APPLICANT WITH 1000 UNEMPLOYED PERSONS, FOR EXAMPLE, RECEIVED ONE POINT, WHILE AN APPLICANT WITH TEN TIMES THAT NUMBER, OR 10,000 UNEMPLOYED, RECEIVED ONLY TWO POINTS. THIS MINIMIZED THE IMPACT OF LARGE NUMBERS OF UNEMPLOYED ON THE FINAL SCORE, AND HELPED AREAS WITH HIGH UNEMPLOYMENT RATES BUT FEW UNEMPLOYED WORKERS. THIS NEW LEGISLATION SHOULD PROHIBIT EDA FROM CONTINUING PRACTICES WHICH MITIGATE AGAINST URBAN AREAS.

THIRD, THERE WAS NO STANDARD DEFINITION FOR DRAWING PROJECT AREAS. FOR THE PURPOSES OF UNEMPLOYMENT FIGURES, THE APPLICANT COULD DRAW NEIGHBORING COMMUNITIES INTO THE PROJECT AREA. THIS RESULTED IN GERRYMANDERING AS EACH APPLICANT TRIED TO CONSTRUCT AN AREA WITH THE HIGHEST POSSIBLE UNEMPLOYMENT RATE. MANY SUBURBAN COMMUNITIES WERE ABLE TO INCLUDE MORE DEPRESSED CENTRAL CITIES AS PART OF THE LABOR MARKET FOR ITS PROJECT, THUS INCREASING ITS UNEMPLOYMENT

AND MOVING IT UP ON THE RANKING LIST.

IN ORDER TO AVOID SUCH DIFFICULTIES UNDER THE NEW LEGISLATION, I THINK THE COMMITTEE, WITH EDA, SHOULD INVESTIGATE METHODS OF ESTABLISHING STRICTER AND FAIRER CRITERIA FOR PROJECT AREA DEFINITIONS.

THE SOURCE OF A FOURTH DIFFICULTY WAS THE LACK OF UNIFORMITY IN UNEMPLOYMENT STATISTICS. EACH APPLICANT WAS ALLOWED TO DETERMINE ITS UNEMPLOYMENT RATE IN ITS OWN WAY. MANY STATES AND LOCALITIES DETERMINE UNEMPLOYMENT RATES DIFFERENTLY ON A REGULAR BASIS. EDA ACCEPTED THE APPLICANT'S FORM OF UNEMPLOYMENT STATISTICS, AND CALCULATED THE NATIONAL AVERAGE SEPARATELY USING EACH APPLICANT'S FORM OF COMPUTATION. THUS THERE WAS NO STANDARDIZED NATIONAL UNEMPLOYMENT FIGURE, NOR METHOD OF CALCULATING UNEMPLOYMENT. NEW LEGISLATION SHOULD REQUIRE STANDARDIZATION OF UNEMPLOYMENT STATISTICS METHODOLOGY SO THAT ALL COMMUNITIES ARE TREATED FAIRLY.

MR. CHAIRMAN, THE NEED FOR SWIFT ACTION TO RELIEVE UNEMPLOYMENT IS ESSENTIAL. I THINK THIS PUBLIC WORKS LEGISLATION, IF PROPERLY DIRECTED TO THOSE WHO NEED IT MOST, IS A RATIONAL AND EFFECTIVE WAY TO DO SO. IT IS CONSISTENT WITH THE GOALS THIS COMMITTEE AND THE CONGRESS HAVE ESTABLISHED TO RELIEVE UNEMPLOYMENT, AND IT IS SUPPORTED BY PRESIDENT CARTER. I URGE THE PASSAGE OF S. 427 AS SOON AS POSSIBLE. THANK YOU.

PUBLIC WORKS EMPLOYMENT ACT OF 1977

THURSDAY, FEBRUARY 3, 1977

U.S. SENATE,
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS,
SUBCOMMITTEE ON REGIONAL AND COMMUNITY DEVELOPMENT,
Washington, D.C.

The subcommittee met at 9:30 a.m., pursuant to recess, in room 4200, Dirksen Senate Office Building, Hon. Quentin N. Burdick, chairman of the subcommittee, presiding.

Present: Senators Burdick, Randolph, Stafford, McClure, Domenici, and Heinz.

Senator BURDICK. Good morning.

This is the second day of a 3-day series of hearings on S. 427, the Public Works Employment Act of 1977, introduced by Senators Randolph, Stafford, myself, and others.

The bill authorizes an additional $4 billion for public works projects—$2 billion for this fiscal year and $2 billion more that may be appropriated this fiscal year or fiscal year 1978. The bill also authorizes $1.5 billion for a new job-creation program for teenagers 16 through 19 years of age.

Yesterday, we received useful testimony from Senators Humphrey, Riegel, and Metzenbaum and from the officials of the Economic Development Administration.

Today, we turn to communities who applied for these projects last year—cities, counties, States, and Indians. We want to know what went right and what went wrong. We hope to get recommendations for improving the delivery of these dollars.

We begin this morning with representatives of the AFL–CIO, who have provided much leadership and help to the Congress in getting last year's bill enacted into law over a Presidential veto.

It is my pleasure this morning to welcome two distinguished gentlemen. One is Rudy Oswald, who is appearing for Andrew J. Biemiller, who is the director of legislation for the AFL–CIO; and Robert Georgine, president of the building and construction trades department.

As other members of the committee know, these individuals have been consistent and vocal supporters for a jobs policy for our Nation. The AFL–CIO have been preaching the good news of what full employment can do for our Nation. I congratulate them for their advocacy and welcome their comments on S. 427.

Welcome to the committee, Mr. Oswald.

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STATEMENT OF RUDY OSWALD, DIRECTOR OF RESEARCH, AFL-CIO

Mr. OSWALD. Thank you, Mr. Chairman.

I would like to express Mr. Biemiller's regrets that he could not be here with you this morning. He has gone over this testimony and it is his testimony. But the doctor has asked him to stay home, and hopefully he will be back with us in a day or two, after he recuperates.

I would like to go through his testimony, Mr. Chairman, and it is as follows:

We are happy to have this opportunity to state our case for a $10 billion expansion in local public works programs. We feel this committee can best meet the need for speedy action and increased funds for this program by simply adding a new $10 billion authorization to the existing title I of the Local Public Works Capital Development and Investment Act.

These programs create direct jobs in the private sector and needed public facilities as well as added private sector jobs in construction-related industries.

The funds called for in title I of S. 427 are inadequate to the huge job creation task this Nation faces and the proposal requiring State and local matching funds in the second year is in our view contrary to one of the basic purposes of this legislation—creation of jobs and public facilities in areas where the need is greatest.

We also ask this committee to focus its attention entirely upon the local public works programs. We recognize full well the need for special programs to meet the very serious problems faced by unemployed youths. But we feel such measures are best considered as part of a specialized manpower approach which is within the jurisdiction of the Senate Labor and Public Welfare Committee.

Secretary of Labor Marshall has indicated that he would seek new programs to meet the structural unemployment problems of young people, women, veterans, migrant workers and other identifiable groups with special job problems and needs. The AFL-CIO will work closely with the new Secretary and we hope the Congress will do likewise, in developing such specially tailored programs. We urge this committee not to diffuse such efforts by attaching a youth program to emergency legislation necessary to stimulate the economy.

Our reasons for support of an expanded public works program are simply stated:

It is designed specifically to create jobs. As of the last official count, 7.6 million workers were unemployed, another 1 million had dropped out of the labor force because it was futile to look for work that did not exist and 3.4 million workers were working part-time at part-time wages because full-time work was not available.

It is designed to help finance improvements in local public facilities. The Nation's stock of public facilities is rapidly diminishing and is at alarmingly low levels.

It will have its initial impact on the construction industry, which is in the grip of a catastrophic depression. Unemployment in this industry averages 14 percent and in some areas and some trades, according to a nationwide survey by the AFL-CIO Building and Construction Trades Department, unemployment exceeds 60 percent.

It targets Federal dollars in a manner which assures that the taxpayers gets their money's worth. Projects must be clearly in the public interest and the work conducted under specific, enforceable Federal standards including labor standards and antidiscrimination safeguards.

The AFL-CIO firmly believes any economic stimulus program must be keyed to the Nation's need for jobs. It must be a large enough commitment to restore hope to the unemployed and a sense of security to those still on the job but fearful that unemployment will once again grow and their jobs become endangered.

The Nation must have an end to the mess brought about by 8 years of economic mismanagement and a policy of creating high unemployment in order to fight inflation. Obviously that policy was a colossal failure.

The legislative history of this program is a prime example of how inflation-fighting negativism worked. The original jobs bill, passed in May 1975, was vetoed. The next attempt, in January 1976, was vetoed. The present act was vetoed and became law only when finally Congress succeeded in overriding the President's veto.

Economists contend we are in a so-called "recovery" period and that the "recovery" has been underway since March 1975—that is almost 2 years. Yet, according to the last official estimate, the unemployment rate is 7.9 percent. In other words, almost 2 years of "recovery" has resulted in a drop in the national unemployment rate of only 1 percent. That is some "recovery".

But even that statistic does not tell the whole story. Employment in the construction industry has actually declined in those 2 years. In March 1975, according to the Labor Department's seasonally adjusted figures, there were 3,483,000 employed construction workers. According to the latest count, there are only 3,349,000. That is a loss of 134,000 jobs since the "recovery" began.

And these dismal figures do not take any account of the present severe cold wave and its adverse effects on employment, energy costs and overall economic growth.

The AFL-CIO has had a long history of support for accelerated public works in order to meet the need for quick, pinpointed job-creating economic stimulus, while building, repairing or improving facilities which represent investments in the future of America.

Time and time again opponents have charged these programs took "a long time to start up," took "too long to complete" and "wasted taxpayers' money on make work projects."

Experience under the present program proves conclusively, even at this early date, that this program—adequately funded—can and does do exactly what we contend and not what opponents fear.

Look at the record:

First and most significant, has been the overwhelming response. The appropriations bill was enacted last October 2 and within 45 days the Economic Development Administration received 25,000 project proposals totaling $24 billion, 12 times the amount available.

The proposals were for projects ranging from schools, libraries and playgrounds, to fire stations and water and sewer lines.

What is more, these 25,000 requests were not capricious, wasteful or "pie-in-the-sky" attempts by States and localities to get money.

Applicants had to prove that onsite work would fit in with existing local development plans and programs and would promote and advance longer range plans. Moreover, individual projects could cost no more than $5 million each and must be completed within 2 years.

To assure quick action, the act spelled out a rigid time schedule for the Economic Development Administration. The agency had only 30 days to issue rules and regulations and 60 days to issue a final decision on each application.

The $2 billion was enough to fund only 1,988 out of the 25,000 proposed. Those 1,988 projects will, according to EDA, generate 142,000 direct onsite jobs and all that money will be spent in areas with an average unemployment rate of 12.3 percent.

Look at the projects EDA approved and compare them to the propaganda about "make work, leaf raking, boondoggles." Here are some examples:

Police and fire stations, rescue facilities, jails, prisons and other detention facilities are being built through 133 projects using less than $100 million.

Two hundred and sixty-eight contracts were approved for nearly $375 million for construction, remodeling or repairs of schools.

Just over $400 million went for 475 water and sewer systems, water treatment and storm drain projects.

For less than $500 million, 469 projects for courthouses, townhalls, municipal offices, libraries, parking structures and community centers were given the go-ahead.

Forty-nine contracts for hospital facilities, clinics, nursing homes and health care centers totaling $62 million were approved.

Two hundred and twenty-four grants totaling $179 million for construction, repair or rebuilding of streets, roads, and bridges.

Then, in light of our proposal for an added $10 billion, take a look at some of the projects EDA had to reject because it ran out of money:

Two thousand six hundred and fifty applications totaling $3 billion to build, repair or remodel schools;

Three thousand four hundred and forty-six requests for $3.1 billion to construct public buildings;

Four thousand five hundred and twenty-two applications for $4 billion for water, sewage or drainage systems; and

Two thousand eight hundred and twenty-five proposals adding up to $2 billion to build or repair streets, roads, bridges, highways, and sidewalks.

Obviously, more money for this program means more jobs and more funds to build, repair and improve a wide range of important and needed public facilities. And the jobs would be many more than just those on the job site.

Based on available EDA data, we estimate that another $10 billion in this program would generate some 700,000 direct on-site jobs; and some 350,000 to 700,000 additional jobs in industries providing materials, supplies, transportation and the like for the projects. And, of course, thousands of additional jobs would be generated as the added income and purchasing power spreads throughout the economy.

Moreover, these projects get underway and the jobs begin long before there is any significant impact on the Federal budget. As soon as projects are approved, letters of credit are issued and contracts can be awarded. Federal expenditures are only made after contractors have actually performed some work and apply for payment.

But the work begins at once and people go to work at once. Under the law, on-site construction will begin before spring as a result of the appropriations bill enacted last fall. But less than 40 percent of the $2 billion appropriated will be actually expended in fiscal 1977. The point is that just the commitment, without the cash, created jobs, weekly paychecks and increased consumer spending.

Additional authorization now would be translated into jobs at an even faster rate than the current track record.

There would be no time lost in writing regulations—they are already in place. There would be no time lost waiting for applications—there are already requests for $22 billion sitting on the desks at EDA. All that is needed is a congressional green light and a Presidential signature. And, remember this, authorization and appropriation of $10-billion now would mean only a small Federal outlay this fiscal year. But it would have an immediate, healthy employment and economic impact.

Let me cite one more piece of evidence of need. Appended to this statement is data showing the shocking record of State and local public construction over the past 10 years. According to the Commerce Department in every year but one since 1967, the real volume of outlays for State and local construction has declined.

In 1976, State and local governments spent $32.1 billion on public construction (including Federal aid). After adjusting for inflation, this represents a rate almost 30 percent below 1967 levels. In real terms, on a per person basis, these figures show that public construction represented $155 per capita in 1967, compared to only $102 last year.

Moreover, during 1976 State and local public construction spending after seasonal adjustment plunged by $3.9 billion. The annual rate in January 1976 was $31.2 billion, by December the level was down to $27.3 billion—a 12.5-percent drop in a year considered as a recovery period.

In a recent Wall Street Journal article, Paul W. McCracken, Chairman of the Council of Economic Advisers during the first Nixon administration and a staunch opponent of Government spending programs that might have any inflationary impact, said:

> There is, however, a case for stepped-up public works, and that case is quite simply that public works outlays have been lagging. The volume of public construction is now, in real terms, about 25 percent lower than a decade ago—in an economy that, in real terms, is 30 percent larger. Public construction is now so low, in fact, that the real value of public capital is probably not being maintained.

We understand there have been some questions raised concerning the allocation formula in the present law since some areas with high unemployment have been denied funds while other areas, with lower rates, won approval.

Such problems are inherent whenever a small pie is cut into tiny pieces. We believe adequate funding at the $10 billion level would see such problems largely disappearing.

Finally, Mr. Chairman, a word about the budget deficit. Obviously the stimulus program we are recommending will increase the Federal deficit—initially.

But the way to ultimately reduce the deficit is to invest in rebuilding the Nation and the economy. The Congressional Budget Office, in commenting on the likelihood that the 1977 deficit will be greater than anticipated, stated:

> The increase in the deficit from the $50.6 billion of the second concurrent resolution to the $54 to $58 billion now projected is due entirely to a weaker economy.

Essentially the same reasons were used by the Ford administration to explain the deficits in 1975 and 1976. In his budget message for 1976, former President Ford stated:

> . . . If the economy were to be as fully employed in 1976 as it was in 1974, we would have $40 billion in additional tax receipts, assuming no change in tax rates. Aid to the unemployed . . . will be $12.7 billion larger in 1976 than in 1974 . . . In 1975 receipts would be $30 billion higher and aid to the unemployed is up $9 billion over 1974. These factors alone more than account for the deficits expected in both 1975 and 1976.

In other words, put America back to work and you strengthen the economy, turn tax users into taxpayers and slash the budget deficit.

Mr. Chairman, we recognize full well that problems which have festered and grown for 8 years cannot be eliminated by a single Government program or within a single year.

But America can get started—and started fast. Modest, timid programs and narrow goals are not enough. What the Nation needs is an adequate commitment, prompt action, and strong leadership.

We urge this committee and the Congress to take a substantial step toward the restoration of the health and vitality of the American economy, by increasing the size of this program and sending it on its way to the Senate floor just as quickly as possible.

[A table attached to Mr. Biemiller's statement follows:]

TABLE I.—STATE AND LOCAL GOVERNMENT OUTLAYS FOR NEW CONSTRUCTION

	State and local outlays for new construction (billions)	Real State and local outlays for new construction (billions of 1972 dollars)	U.S. population (thousands)	Real State and local outlays for new construction per capita (1972 dollars)
1967	$22.1	$30.8	198,712	$155.20
1968	24.2	32.4	200,706	161.48
1969	24.7	30.7	202,677	151.23
1970	24.8	28.4	204,878	138.52
1971	25.9	27.4	207,053	132.19
1972	26.1	26.1	208,846	124.92
1973	28.1	26.1	210,410	123.81
1974	33.8	26.1	211,901	122.98
1975	34.6	24.3	213,540	113.98
1976	32.1	22.0	215,118	102.22

Note: Outlay figures include grant-in-aid funds from the Federal Government.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Government Division.

Mr. OSWALD. Thank you, Mr. Chairman.

Senator BURDICK. Thank you, Mr. Oswald. It might be better to hear Mr. Georgine because then we can ask questions either of the gentlemen might want to answer.

Mr. Georgine, you have already been announced. You may approach and proceed anyway you wish.

STATEMENT OF ROBERT GEORGINE, PRESIDENT, BUILDING AND CONSTRUCTION TRADES DEPARTMENT, AFL-CIO

Mr. GEORGINE. Mr. Chairman and members of the committee, my name is Robert A. Georgine, and I am the president of the Building and Construction Trades Department of the AFL-CIO, which represents 17 international unions with over 4.1 million members.

The tradesmen I represent are some of the most highly skilled in this country. They have invested many years of their lives gaining the experience necessary for their work. These men are craftsmen, but they are also builders. They install the water facilities, build the highways, construct the mass transit systems, erect the public buildings, and put up the energy facilities this country so badly needs.

These men take pride in their work. Through their ingenuity and resourcefulness, they have helped to build America, and they want to continue to build for this country.

Almost 2 years ago, I first appeared before this committee and stated that unemployment in the building industry has reached scandalous levels. I stated that our men want paychecks, not welfare checks. Nothing is so demeaning, so degrading, so humiliating as to be unemployed in a society which prides itself on industriousness. I came to Congress and supported a sound public works program developed by this committee and the leadership. Congress approved the program only to have it vetoed by the administration. We went through the same charade a while later with the same result. Finally, Congress overrode a Ford veto, giving America $2 billion in public works.

However, the construction industry is still in a state of shock. Disaster after disaster has brought the industry to its knees—an energy crisis, materials shortage, stagflation, a money crunch, and an indifferent administration.

Construction activity continues to stagnate. Government statistics carry us on an emotional roller coaster—encouraged one week, dejected the next. Although expenditures for construction put-in-place in November 1976 were up 8.6 percent from November 1975, because of inflation, in constant dollars this amounts to only a 1.6-percent increase which is statistically insignificant. Particularly hard hit has been State and local public construction, that segment of construction to which this legislation has been addressed.

The construction industry is fighting for its life. Contractors and workers alike are struggling with no relief in sight.

The Bureau of Labor Statistics proudly announced last week that construction unemployment was at a 2-year low—only 14 percent unemployed. This translates into 640,000 unemployed construction workers. That 14-percent figure does not tell a true story. The seasonally unadjusted figures are more realistic and—certainly more frightening—20.1 percent, or 961,000 men out of work. If one looks even further at the BLS figures, you will see that the main reason for the decline in the seasonally adjusted unemployment rate is that a number of persons have left the construction labor market altogether—not that they have gone back to work.

Total employment in the construction industry according to the latest BLS figures is 3,349,000—down 134,000 from the officially declared end of the recession in March 1975.

The construction industry has had double-digit unemployment for over 34 months. The BLS figures, however, are only an average. Our own studies are more realistic. In San Francisco, for example, unemployment is 30 percent. Tampa, Fla., 34.8 percent. Chicago, Ill., 30.5 percent. Portland, Maine, 29 percent. Baltimore, Md., 32 percent. Philadelphia, Pa., 48.6 percent, and New York City, 67.5 percent.

I am submitting for the record the results of our most recent unemployment survey of 54 selected communities in America. I have marked it "Attachment A." [See p. 207.]

Once again, construction unemployment casts doubt on the optimistic reports currently being cited. Time after time, the extent of the present economic plight has been played down. Unfortunately, the unemployment figures indicate that the construction industry is not showing signs of turning around. The downturn has not yet moderated and, most importantly, the plight of the construction worker continues to worsen.

Even worse, unemployment is a lengthening problem. The number of workers idled for 20 weeks or more is over 240,000. Imagine the frustration of these men and women as they sit idly watching time tick away, and all the while their Government continues to do nothing.

Underemployment is an equally grave problem. According to Labor Department studies, the average full-time—more than 700 hours—construction employee works 1,200 hours at this trade each year—at least 800 hours less than the average industrial worker. This past year has seen a consistent decline in the average number of hours worked per week by a construction worker. Due to scarcity of work, many local unions are being forced to adopt shorter workweeks. These workers are, nonetheless, counted as employed.

The construction industry has been victimized by deliberate and reckless governmental economic policies—policies which by their very nature spelled instant doom for construction.

The truth is that for most of the past 8 years the Federal Reserve Board, the Office of Management and Budget, the Council of Economic Advisers, and two former Presidents have pursued policies designed to bring inflation under control by deliberately choking the construction industry through high interest-tight money policies, by freezing many housing construction programs, by cutting back on other Federal construction programs, by indefinitely impounding many billions of dollars of funds contrary to the intent of Congress, and by veto after veto.

We were vetoed to death because we had an administration who believed that if large Federal deficit had to be financed by borrowing after economic recovery is underway, it could spark an increase in the rate of inflation.

It must be recognized that massive Federal deficits forecast for last year and this year stem directly from the economy's depressed state.

Aside from the effects of the recent tax reduction, the deficits anticipated for 1976 and 1977 are largely the inevitable result of those aspects of the budget and the tax system that respond automatically to change in the economy, such as budget receipts and unemployment benefit payments.

If the work force were to be fully employed, we would have substantial additional tax receipts, substantial less aid to the unemployed and there would be no deficit.

Throughout the economic history of this country, our national leaders have tried countless different solutions to the problem of unemployment. These remedies have ranged the entire spectrum of economic theory.

One program which has weathered the ups and downs of economic thinking is that of public works. Time after time, the Federal Government has relied upon the construction of public works to reverse high rates of unemployment.

In 1962, to cite just one example, the Congress with the guidance of this committee passed the Accelerated Public Works Act. The bill authorized the expenditure of $900 million for the construction of public works facilities.

Over the life of the program, 7,700 projects were funded, and it is estimated that nearly 2 million man-months of employment were created on their account.

Communities all over the country benefited from this program. Boone County, Ark., built a new hospital addition. Susanville, Calif., built a courthouse and library, while San Diego erected a nursing office building.

And the first reports seem to indicate that the local public works program enacted over Ford's veto on July 22, 1976, will be even more successful, as far as it goes.

The funds were appropriated on October 1, and the Commerce Department's Economic Development Administration (EDA), which administers the program, began accepting applications from State and local governments on October 26. Through December 11, the EDA had received 25,477 applications representing $23.9 billion in projects—projects ready to begin within 90 days.

If I may, I would like to read a letter I received from John W. Eden, Assistant Secretary for Economic Development of the United States Department of Commerce, on January 21, 1977:

> Dear Mr. Georgine: This is in response to your letter concerning numerous applications for funding under title I of the Public Works Employment Act of 1976 (Act). You also urged all possible speed in implementing this program.
>
> You may be interested to know exactly how quickly the Economic Development Administration (EDA) did move. This agency processed approximately 25,000 applications in 42 working days. Project selection was concluded within 54 days of the date that funds became available. Further, the effects of the legislation will be felt on the economy within 6 months of the October 1 signing of the bill by the President for we expect on-site construction to begin on the great majority of the projects before April 1, 1977.
>
> Thank you for your continued interest in this program. Sincerely,

The building and construction trades department is pleased by EDA's prompt attention to the immediate need for commencing construction. I would like to take a moment, however, to make two observations concerning the recently passed legislation and its implementation by EDA.

For the public works program to truly be a success, we must see that it is directed toward areas and sectors hardest-hit by unemployment.

It seems, however, that with the recent public works program, EDA's guidelines do not truly reflect the needs of our country. EDA decided to allocate money based on statewide figures, rather than on local areas.

Labor markets, especially construction industry markets, function on a local area basis, not a statewide basis. A public works project not only provides employment of the construction industry, but also furthers the local public good. Congress rightfully intended the greater benefits to accrue to hard-hit localities by providing that 70 percent of the funds are to be utilized in such project areas. Severity and duration of unemployment should be weighed on an individual-area basis solely as the legislation clearly intended. The results of the present formula are bizarre, unanticipated and inequitable. I would hope that Congress will urge EDA to be more realistic and responsive to the real needs of this country.

There is also a very real need to restore fair labor standards governing the conditions of employment for America's workers. Administrative circumvention has eroded much of the protection provided workers by Congress.

In accordance with the Public Works and Economic Development Act of 1965, the Secretary of Labor had determined in April 1976 that the definition of a contractor or subcontractor included any municipality which used temporary employees in the construction of certain projects. Such a definition would certainly entitle those municipalities to receive funds issued since 1974 under title X. At that time, the Secretary of Commerce accepted the Labor Secretary's interpretation because most of the grants under the act had already been made and construction had been started.

The Secretary of Commerce conditioned his acceptance of this interpretation on the retroactive nonapplicability of the Davis-Bacon Act.

On October 27, 1976, the Secretary of Labor advised the Secretary of Commerce that the definition of contractor and subcontractor made in respect to the original 1965 Public Works Act was also relevant to the Local Public Works Capital Development and Investment Act of 1976. The Secretary of Commerce waited until December 3, 1976 to request the U.S. Attorney General to render an opinion on the Labor Secretary's definition. The Attorney General found that governmental grantees who carry out the project work by direct hire were not bound to apply prevailing wages because they were not "contractors or subcontractors" as described under the act.

At this time, I would like to submit for the record supplemental letters and memorandums further documenting these events. I have included them as attachment B.

Senator BURDICK. Without objection, so ordered. (See p. 221.)

Mr. GEORGINE. Such flagrant circumvention of labor standards must be prohibited in future legislation. An exact, comprehensive definition of the terms "contractor" and "subcontractor" should be included in such legislation to disallow any possible abuse or misinterpretation of congressional intent. I am, therefore, submitting to you our suggestions for more explicit legislative language. I have included it as attachment C. (See p. 247.)

If a man is allowed to lose his self-respect because of society's indifference, both society and the individual suffer. Society is the loser because it must now support the man in one fashion or another; the individual loses because he can never fulfill that destiny which is an integral part of the Nation—to live in a manner that will befit his dignity.

The public works program passed last year was a beginning—albeit a meager beginning. We need more, and we need it now.

Had we put the first public works bill into effect 2 years ago, I truly believe that I would not need to be here today. Our people would be working and the country's economic recovery would be well underway.

An effective public works program can be used to facilitate the reemployment of our human and economic resources.

It pumps money into the economy when investment demand for capital is low. Thus, inflationary pressures are minimized.

It can be directed at areas and sectors of the economy which have been particularly hard hit. There are hundreds of communities throughout our Nation which have been struck harder than most by the current depression.

Many of them have a long history of unemployment problems. Now because of the current economy, they are even worse off—with unemployment soaring over 20 percent in some cities.

Although a renewed economic expansion on the part of the Nation as a whole will, in the long run, help to restore the prosperity of many of these areas, their present needs are extremely urgent.

A boost to the construction industry will also produce large savings in lost Federal revenues and unemployment compensation payments. It is estimated that the taxes lost to the Federal Government are close to $1 billion. In addition, over $1 billion are being lost to the Social Security system. Sizable amounts of State and local taxes are also being forfeited.

All told, the Federal Government would reap returns well over the actual expenditure level for the public works program.

It is estimated that the $2 billion public works program now in effect will create 142,000 jobs. The Joint Economic Committee says that $14 billion in additional national production would be stimulated within the first 24 months after enactment. Two-thirds of this increased production will occur in the first year.

Public works projects will also serve to relieve many States and localities of some of their tremendous financial burdens. Within the past year, 52 of 71 major U.S. cities postponed or cancelled capital improvement projects, also $2½ billion in debt financing were cancelled. Historically, debt financing is used to finance public works facilities.

Many communities are in desperate need of either a library, new school, hospital or recreational area. Public works not only put the unemployed back to work, but they also build schools in poor and undeveloped areas; they build hospitals for medically underserved persons, and they rebuild roads in deteriorating areas.

We need only look at the applications filed with EDA to realize the great need in this country for construction projects. Over 24,000 different projects are ready to go within 3 months. A $158 million rapid transit system is waiting in the wings in Chicago. Buffalo needs a $1 million fire alarm and dispatch center; Columbus, Ga. is ready to build a mental retardation center and a senior citizens center for $575,000

Because of the combined effects of recession and inflation, many States and localities have had to cut back on these projects. Revenues have dropped and costs have soared. Tax bases, already stretched too far, cannot be relied upon for additional revenue. The result has been a growing backlog of planned and needed projects which have simply been postponed. Federal funding of some of these projects will help to relieve many areas of unmanageable financial burdens.

The need for counter-cyclical spending is apparent. However, appropriations under such a program should not be looked upon as expenditures at all. They are not for a huge relief operation. They will not create a vast boondoggle—what has been referred to as "leaf-raking." The salvation of millions of lives is the high purpose of public works proposals, and the purpose makes any reasonable expenditure worthwhile.

These human resources are the most necessary and the most important part of our strength. It is to them, to their skills, to their pride, and to their belief in our system that we entrust our future.

Public works yield a lasting product with an immediate impact on the private sector, without expanding the public sector. The multiplier effect of public works on jobs is greater than that of other job-creation measures. With the huge backlog of applications that already have been submitted, the EDA could move rapidly to finance additional local public works projects if Congress and President Carter choose to give the green light.

In closing, I would like to stress the urgency of the legislation pending before this committee. I want to emphasize that the construction industry and its workers cannot wait any longer. We need an enlarged and effective public works program now. And without immediate action we won't have one.

Mr. Chairman, I would like to ask permission to submit for the record printed testimony on behalf of Mr. Angelo Fosco, president of the Laborers' International Union of North America.

Senator BURDICK. Without objection it will be received. (See p. 248.)

Mr. GEORGINE. Thank you very much.

Senator BURDICK. Thank you, both of you gentlemen, for your contribution this morning.

Now we will turn you over to cross-examiners. First will be the full chairman, the Senator from the great State of West Virginia, Mr. Randolph.

Senator RANDOLPH. Thank you very much. Mr. Chairman (Senator Burdick), from the great State of North Dakota; Senator Stafford from the great State of Vermont; and Senator Domenici from the great State of New Mexico.

Senator DOMENICI. Sovereign State.

Senator RANDOLPH. If I was to become more profuse, I would say the great Senators from those States and not make the State great, but make the Senators great, and you are.

Seriously, I think, Mr. Georgine, you and Mr. Oswald are both very familiar with the continuing charges through the years that public works programs have been pork barrel and boondoggles. Is that right?

Mr. GEORGINE. Those are the charges, which are indeed untrue.

Senator RANDOLPH. How does that appeal to construction workers when there are, let's say, 30 percent on the average unemployed? Or what is the percentage as of today?

Mr. Georgine. We have, according to our surveys established that about 27 percent of the building trades work force is unemployed nationwide.

Senator Randolph. 27 percent nationwide.

Mr. Georgine. This percentage represents about 1 million workers.

Senator Randolph. They in turn, represent directly and indirectly perhaps 5 million people; is that correct?

Mr. Georgine. That is fairly accurate.

Senator Randolph. In making your statement, Mr. Georgine, you have emphasized that, and that is very proper. You have indicated that time ticks by and the Government continues to do nothing. We continue to do something in this committee. I am not overly sensitive. But I think the record must be kept very clear at all times. This committee was acting on accelerated public works programs during the recession of the early sixties, as you gentlemen will recall. We had legislation that became law. We were able to be of material benefit to the easing of unemployment in the construction industry and in other segments of the working programs to which people attached themselves. These were constructive programs, not only for employment of the unemployed and the underemployed, but for the productivity of their labor and skill in those lasting benefits, the projects which stand today. Projects stand today that were constructed under WPA. You remember that. It is very noticeable that there even now continues to be a charge that WPA was leaf raking. WPA was not leaf raking. Each and every person was at a job.

Those who could not do the heavy work—the streets, the roads, the bridges, the many projects—they were working in other types of employment, writing the histories of their States and counties and local communities, by the thousands in this country. Those who could paint were sketching the beauty of the States in which they lived. They even sketched the depression on canvas.

Those who had talents for the stage, they were in productions which brought relaxation and entertainment to hundreds of thousands of people in the period of the great depression. But I remind all of us today that everyone under WPA was at work. Mr. Georgine, you are too young to remember that, and I am glad you are too young.

But I do say to you that sometimes we are inclined to pass over some public works programs, WPA or works project programs, or what not, with a broad brush that it is boondoggle, you see, or that it is a pork barrel. These projects are not expenditures of money, they are investments, because they return to this country and its people the dividends beyond the dollar for dollar.

Do you agree with that?

Mr. Georgine. Absolutely.

Senator Randolph. I become very earnest about this. I wish that we might have the understanding of more people as to the value of men and women being at work, men and women being able to work, men and women using their skills and their diligence on projects and bringing them to fruition, and thus building a more solid base for what we hope will be the continued prosperity, well-being, and quality of life in this country.

Constantly I become weary of those who have no trouble in spending billions and billions of dollars on projects overseas, and yet, when it comes to spending dollars here at home, where the priority is in the greatest degree, we sometimes pass it off lightly. As you indicate, even our Government does.

Mr. Oswald. Senator, I would like to comment because these are the sorts of considerations that the AFL–CIO executive officers and executive council considered when they weighed the President's proposal on economic stimulus. Their thoughts were the same as those you have just expressed, that putting people directly to work on projects such as the public works projects, with some $10 billion allocated to an accelerated public works program, would put Americans immediately to work, rather than indirectly through some type of a tax rebate which would cost the same amount of money but would not provide immediate jobs. It is because of that the AFL–CIO executive officers and executive council has asked this committee, the Budget Committee of the Senate, to provide the stimulus in terms of providing direct jobs.

Senator Randolph. I thank you, Mr. Oswald.

Mr. Chairman, I know you want to certainly stay within a few minutes of questioning perhaps under the 10 minutes. I want to accommodate that sort of plan because it does give those who are present, and who perhaps have other commitments, a chance to express themselves. I ask both of you, what is your position on the 20 percent non-Federal matching share in S. 427 that is contemplated for what we so call the third round of funding? I say to you before you answer that I have had some doubts that requiring a local matching share is a sound idea in this jobs program. But I would like to have your thinking.

Mr. Oswald. We have evaluated that and ask you to reject that, Senator, because this accelerated public works program is a special program to put people to work quickly. In particular, the areas with the highest unemployment are the localities that are not able to provide the matching funds. They are the areas that would not be able to apply for funding, to put people to work.

We ask you on these small projects, and as you know the projects are limited to less than $5 million, that the 20 percent non-Federal matching provision be dropped such that the requirement, for Federal funding be kept as it had been initially proposed in the 1976 legislation that you originally adopted and President Ford vetoed.

Senator Randolph. Thank you, Mr. Oswald.

This is a matter I am sure that concerns members. Just this final question. We talked yesterday, several members of the subcommittee, about the matter of youth employment. In the past I have worked very closely with Senator Jackson on the youth conservation program, and especially its impact in West Virginia as well as in other States. Senator Stafford is a leader in this area and has, of course, very strong opinions about what we should do in giving the younger people an employment opportunity.

There are others in this committee who share that. I am not certain you do not want it attached, as I understood——

Mr. Oswald. That is correct, we do not want to attached.

Senator Randolph [continuing]. To the public works jobs' bill. I can realize that is so. But at the same time, if we, Mr. Oswald and Mr. Georgine, are not to do that, we must have an understanding here in the Congress that we can go into that subject very quickly and perhaps bring out a composite bill of several Senators who are working on this. But all of them have the same approach.

Of course, I am strongly in favor of the youth conservation program, because whenever possible, we are taking young men off the streets and from the alleys and moving them out into the countryside and the rural areas and into the national forests and so forth. Not only are they productive there, but I think it gives them a new perspective on the years that are to be in their lives. Would you be for such a program?

Mr. Oswald. Yes.

Senator Randolph. That is what I wanted the record to show.

Mr. Oswald. We have asked for $2 billion before the Budget Committee for youth programs specifically. As you know, we have worked with a number of Job Corps centers and civilian conservation centers. A number of our affiliates, the operating engineers, the bricklayers, the painters, all run programs for young people in these Job Corps centers. We have also been working in a number of apprenticeship and upgrading programs with youths and minorities. With this stimulus, we would have jobs for them. Without the stimulation, we would not have jobs for those people. But we are all for that type of a project.

Senator Burdick. Before I call on the next Senator, I announce that we have some participants this morning from the Presidential Classroom for Young Americans, high school juniors and seniors from many States visiting Washington. They are visiting us this morning. Welcome to the committee, young men and women.

Senator Stafford.

Senator Stafford. Thank you, Mr. Chairman.

I want to say to Mr. Oswald that I am sorry I didn't hear all of your statement, due to another commitment, and to Mr. Georgine that I thought your statement was excellent and it will be helpful to this committee in trying to do the right thing on the public works program.

I have one or two questions I would like to invite either one of you to answer if you care to. One is, assuming we go ahead with the public works legislation that is now pending in front of this committee, do you feel that we should retain the provision for projects which are authorized to be initiated within 90 days of the time they are authorized?

Mr. Georgine. Yes. I think that is a very important provision, and it is one which should be implemented. The applications which have poured into EDA show that there are thousands of projects that can be started within 90 days. Those are the ones that should be started. This bill should be particularly directed toward these projects. I feel very strongly about that.

Senator Stafford. Do you share that feeling?

Mr. Oswald. Yes.

Senator Stafford. The second question follows: That is, Do you believe it would be appropriate for EDA, under an additional program, to use the same lists that have already been submitted and select another round of applicants or recipients to receive funds?

Mr. Georgine. That would be most efficient. They have already processed them. They are ready to go.

Senator **Stafford**. I assume, Mr. Oswald, if you have any different view, you will say so.

Mr. **Oswald**. I agree there should be some means of allowing the funding of earlier proposals. But the whole purpose is to get people to work quickly. I think your actions of last year indicated that it can be done quickly.

Senator **Stafford**. Then on the matter of a distribution formula, Mr. Georgine, you commented adversely on the 70-to-30 split. I think we are now contemplating the possibility of an 85-to-15 breakdown. Of course, another option would be to have no formula of this kind at all. Do you have any comments on what would be a more preferable formula in your view than the 70-to-30 distribution?

Mr. **Georgine**. A more preferable formula would be to allocate more money.

If you had $10 billion instead of $2 or $3 billion, you wouldn't have to worry about formulas. There would be enough for all kinds of work. But I don't have any argument with the 70 to 30.

Senator **Stafford**. How about you, Mr. Oswald?

Mr. **Oswald**. The same; or 85 to 15, or 70 to 30. We feel that if you had more money, that would take care of most of the problems that resulted from the formula.

Senator **Stafford**. I think you had on behalf of yourself and Mr. Biemiller and Mr. Meany some dollar figures on an increased public works program over that in front of the committee and that proposed by the Carter administration.

Mr. **Oswald**. That is correct. We are recommending $10 billion.

Senator **Stafford**. I don't think, Mr. Georgine, you put any dollar sign on your recommendations for an additional program. Do you care to do that now?

Mr. **Georgine**. We support the $10 billion. We think that would be an adequate figure. We think anything less than that is not going to be able to do the job as well.

Senator **Stafford**. Do you derive that on $5 billion this year and $5 billion next year or all $10 billion this year?

Mr. **Oswald**. We are asking for authorization and appropriation for all $10 billion this year. Some of that money, as we had indicated, will be spent next year in terms of the outlays because the administration has been estimating that even in their proposal only about 10 percent of the outlays will take place in fiscal year 1977. We feel that it is important to put the whole $10 billion in this year and get the program started and moving and get people to work. That is the problem.

Senator **Stafford**. I gather from your comments that you both feel that public works programs which create jobs in the private sector of the economy are much superior to a tax rebate, which is another proposal floating around here in Washington.

Mr. **Oswald**. That is correct. An AFL-CIO legislative subcommittee reviewed the President's proposals and recommended, in lieu of the tax rebates the President proposed, a public works and public service program which would be more effective because many more direct jobs are created for the money.

Mr. **Georgine**. I feel the same way, Senator. Tax rebates end up in savings accounts and do not generate the kind of economic activity that is needed.

Senator Stafford. I thank you all. Thank you, Mr. Chairman.

Senator Burdick. Senator McClure.

Senator McClure. Let me yield to Senator Domenici, who has been here longer.

Senator Burdick. Senator Domenici.

Senator Domenici. Thank you, Jim. First, let me say to both our witnesses, in all sincerity, that in the last month I have been impressed with the seed of the idea that you quote from McCracken about the drop in public facilities maybe, rather than public projects, public facilities construction in this country. I want to make this public commitment, too. As one Senator, I think that is a matter of extreme national urgency. I am not saying, at this point, that I have a solution that is singularly directed at the recession, but I believe that is something that we might forget, where as it affects now and the future gravely. I will look at that with some Senators in terms of what should the national policy be to turn that around, if it is as drastic as I think it is, and I think that will have a long-term effect of reestablishing an appropriate level of this kind of construction. I don't know how yet, but that is of genuine concern to me.

Mr. Oswald. Senator, could I just comment that our table at the end of our testimony provides the statistics from the Department of Commerce on the decline of public investment the last 10 years in real dollar terms.

Senator Domenici. I would say as one other comment on that, Mr. Georgine, I personally hope that when we get started on that subject, that as in the past, we will receive the capacity of your research as input to this study. I think it is a matter of grave urgency. I don't know what it means right now in terms of 15 years from now, but it bothers me that we might be right now unwittingly very, very foolish in that we are cutting back there, and then what is there going to be for our children by way of public facilities. Having said that, let me ask you some specifics. How many people who you consider men and women, to be employed in the construction trades as we know them today in this particular context? How many million are there in America?

Mr. Oswald. The Labor Department reports 3,400,000 currently employed, "currently" being December of 1976, on a seasonally adjusted basis, because there is always a decline in the December employment that is less than the actual number employed year-round. But on a year-round basis, with the normal December weather, the number of employed, seasonally adjusted, would be the actual number employed. That is over 700,000 less than during the period 4 years earlier, 3 years earlier.

In December of 1973, there were some 4,100,000 workers employed in construction according to the same statistics, the Bureau of Labor Statistics.

Senator Domenici. If you want to use the higher figure, when we had a better situation of employment, use the 4 million one in answering this question for me.

Do we break down construction into residential, private and public?

Mr. Georgine. No. Those figures are difficult to ascertain because of the way we work. But the fact of the matter is that if you are looking for a percentage of people that were working on public works in the last year or two, there is none because there were no public works.

Mr. DOMENICI. No. That is why I said, "Let's go back to the optimum year." I have heard it said, in terms of public works projects as contrasted with everything else, that about 10 to 15 percent is in the first one and the rest are in the other group. Is that a ballpark figure.

Mr. GEORGINE. That is what it is—a ballpark figure.

Mr. OSWALD. Yes.

Senator DOMENICI. Then I am somewhat troubled. If we have a million unemployed in this particular segment of our working force, if we try to zero in on that, there weren't that many employed in this segment of construction when we were at our peak.

Mr. GEORGINE. That is not the problem. We don't anticipate putting 1 million unemployed workers back to work on public works.

Senator DOMENICI. I understand.

Mr. GEORGINE. But the public works itself will generate additional work in the private sector. So we need that immediate stimulant, that shot of adrenalin, to get back all of those other workers working on different types of construction. One stimulates the other and you have a multiplier effect that will take care of it. There are not going to be a million men working on public works.

Mr. OSWALD. Even in this program, Senator, some of the work is repair and maintenance work rather than necessarily new construction, and most journeymen are able to do work in both. The carpenter is able to work in housing as well as in heavy construction. The electrician, plumber, the journeyman is trained so he is able to be assigned to both groups of the industry. The real problem is that there has been no pickup at all in this public sector. There has been some pickup in recent months in the housing sector. But it has been offset by decreases in the public sector. The result has been no change. As we had indicated, there are 134,000 fewer people employed in construction now than in March of 1975.

Senator DOMENICI. What I really was trying to say, and I did not say it well at all, was that the percentage of unemployed figures you give us regarding the construction industry, that at least for my mind I have to try to understand that we couldn't get those people employed in the public sector in public projects, but, rather, make a serious dent because many of them are unemployed because housing is down and private construction is down. That is the mix we are speaking of, 30 percent in one of our cities. You are speaking of the ripple effect, nonetheless, Mr. Georgine.

Mr. GEORGINE. Exactly.

Senator DOMENICI. Let me ask some specifics about the program. In my State, speaking to Luther Sizemore and others, they don't have the concern about making sure that the project is right where the unemployed are because our workers travel extreme distances. That is a custom there. That is no problem. So if we are 40 miles from Albuquerque where there is a lot of unemployed and we are building a city hall in a small town, they are satisfied because it is normal for them to drive. Do I gather that is different nationally?

Mr. GEORGINE. It is different in highly industrialized cities. Work forces are in the city where the work is needed. The particular case to which you refer concerns a work force from an unemployed area, anyway.

Senator DOMENICI. Yes.

Mr. Georgine. So it serves the same purpose. The situation is a little different, but the effect is the same.

Senator Domenici. With reference to one of your statements where you use the word "bizarre" with reference to the first two, give me some examples that caused you to use that word.

Mr. Georgine. EDA was determining where a project should be let according to the total unemployment in the State. They would issue a project or approve an application of a project in an area where there might have been no unemployment, a highly affluent area—perhaps. A library would be built in this affluent area, whereas 60 miles away, in an economically depressed area, poor people do without schools and hospitals.

We have a list of such situations. We have done an analysis and can make it available to the committee.

Senator Domenici. Senator McClure?

Senator McClure. You touch on something that has been a great deal of concern to me. I remember talking to Senator Humphrey about two competing application grants in the State of Minnesota. One community that had a vibrant economic growth had been very poor but started to do very well. Nevertheless they got the grant. Twelve miles away was another community with no economic growth. Their grant was turned down. I assume that that is the kind of thing you are talking about.

Mr. Georgine. Yes.

Senator McClure. That concerns me because earlier you were asked whether you should just use the list that is already there and take some more projects off the list. Certainly if we throw enough money at it, we will cover up those rather bizarre effects. I agree they are bizarre. But I just wonder if maybe the list and the formulation of the list in itself had some problems with it that led to the kind of results that you and I are both concerned with.

Mr. Georgine. There are approximately 25,000 application in. The one was put aside and is still there. That one could be acted on now. My point is that there are many applications at EDA. I don't say you should preclude any applications from coming it. There are a lot of them that are in need which were glanced over, pushed aside. They are still there and could be put into effect immediately.

Senator McClure. Unless we put enough money in to take all 25,000, it is quite possible that some of those that were passed over last time for something that was less worthy will also be passed over this time.

Mr. Georgine. That is if the EDA takes the same attitude this time as last. I am hopeful that with congressional pressure EDA will become more responsive.

Senator McClure. I am not sure it is a matter of attitude. I think it is a question of the black box mentality which says if you feed it into a computer and get it out, it has to be right.

Mr. Oswald. I think that is one of the problems. They did carry some of those things out to about the eighth decimal point and didn't recognize they used judgment putting it into the black box and they had to use judgment on what came out.

Senator McClure. You share that concern?

Mr. Oswald. Yes.

Senator McClure. Thank you.

Senator Domenici. I just want to make one more observation on this and then I will yield. We are going to have Mayor Gibson and others here. Their being here prompts me to make this observation to see if you would agree. I had a small city in my State who I called and told them they had got the accelerated public works for a police station. Instead of saying "Thank you", the mayor said, "Oh, we didn't want that; we wanted the sewer system we applied for." It is too late, as Senator McClure said. They are not going to get the sewer; they are going to get the city jail. It seems to me that is dilatory, and that is what you want. You want something that will really bear the word accelerated and wouldn't be subject to criticism. It seems to me there is something in this legislation that would permit a region to do some prioritizing for themselves. I don't know that is Newark proper, but the region, speaking of the good mayor, who is here. If they put 50 of them in, it seems to me they ought to be able to indicate the sewer project down here in the district is No. 1 and some credence ought to be given to that, rather than punch it out of the computer and give them the library that they really would never have paid for themselves for another 15 years because it isn't that urgent, but it fits all of the criteria, nonetheless.

Do you have any objection to that kind of approach?

Mr. Oswald. No.

Mr. Georgine. No.

Mr. Oswald. As a matter of fact, we are urging that some judgment be used instead of automatic numbers that come out of a computer.

Senator Domenici. Thank you, Mr. Chairman.

Senator Burdick. Senator McClure?

Senator McClure. Thank you very much, gentlemen. I appreciate your testimony. I am sorry I got here late. I will read it in a great deal of detail and go back over the record. I think we are concerned about how we can make the federal expenditures reflect the best in economic recovery. I think that is the whole thrust right now. EDA has a little different role, generally speaking, and that is long-term economic growth in long-term depressed areas rather than the immediate economic stimulus in currently economically depressed areas. I hope we do not lose that distinction as we try to work our way out of this recession and continue the economic growth that has lagged too long.

I think EDA can play a role in that. I assume that you also recognize those distinctions and share the concern that we don't lose the long-term goals of EDA.

Mr. Oswald. Yes. And we have supported supporting that type of long-term approach. But I think that they are the proper agency to handle this program as well. I think with the experience that they gained initially, that an additional appropriation will help them make better judgments in the future.

Senator McClure. I have never found that additional appropriations helped judgments.

Mr. Georgine. Additional experience helps judgments.

Senator McClure. Yes. That is right. Maybe they can apply that better judgment to additional appropriations.

Mr. Oswald. That is a better way of phrasing it.

Senator McClure. I notice you did concentrate in your statements to focus our efforts on the job creation of economic development rather than allow this package to be changed or redirected towards another goal such as youth employment.

Mr. Oswald. That is correct. We are very concerned with the youth issue. We have been working very strongly. We have urged an additional $2 billion for youth programs. The present stimulus has some $2 billion in youth programs. They are related to a number of programs that come under jurisdiction of, the Labor and Public Welfare Committee. These are all issues of great concern to us. We are just concerned that adding youth programs to S. 427 will tend to delay its quick passage. We are anxious for the Congress to consider projects such as those outlined in S. 427. Our unions have already cooperated by bringing people into new apprenticeship programs for such youth projects. We are interested in all the principles enumerated through there in title II. But we would prefer to see it handled separately.

Senator McClure. I view the youth unemployment as one of the most critical problems that confront our country. I don't know whether this is the right place to address that question, but I am absolutely convinced that it has to be addressed. You know the grim statistics at least as well as I—that the labor force under age 25 is 25 percent of the labor force and 50 percent of the unemployment. It generates and drives a whole array of very, very serious social problems, welfare problems, inner city problems. It is also a problem in the suburbs and rural America.

We are going to have to address it.

Mr. Oswald. Senator, we thing that the best way this committee can address it is to approve the funds to provide jobs. In construction, which has always been one of the industries that young men, and more recently, young women, have directed their job search to, there are no longer any openings. Our apprentices finish their apprentice program and have no jobs. Our journeymen have no jobs. There are public facilities that are deteriorating and are not being rehabilitated and rebuilt. That is why we ask this committee to concentrate on title I of S. 427 to increase the appropriations and put people back to work and provide the public facilities needed.

Senator McClure. I think there is no question that that is needed as well. I have no argument with you. I am very concerned about this youth question that keeps driving a whole array of problems within our society and continues to do so.

Mr. Georgine. We share your concern, Senator. There is no question about the need. Of course you have to analyze which is the best vehicle to use. We share your sentiments completely.

Senator McClure. We also have to look at the educational system that has somehow failed to prepare young people for meaningful employment. That again is not within the jurisdiction of this committee. We are not going to solve that problem with this bill.

Mr. Oswald. What I do want to say is that a number of our unions, in cooperation with some of the Job Corps centers and others find that they are able to take people whose education has been deficient and have been able to upgrade it. Not only have they been able to upgrade their education, but they have also been able to make them eligible for our apprentice standards where before they did not have the math background necessary to become eligible for some of our apprentice programs. Mathematics is an integral part of learning the various apprenticeship requirements and we are working at those deficiencies, doing precisely what you are advocating.

Senator McCLURE. I commend you in that effort. I think that also needs to be expanded because the numbers are frightening. They are regenerating. We are adding to that group every year.

Mr. OSWALD. The Job Corps, for example, was cut in half from what it had 5 years. We have asked that to be reexpanded to at least the level of 5 years ago. While it is an expensive program, it has had great results in terms of job placements and upgrading people to get into the labor market.

Senator McCLURE. The statistics that I have seen would indicate that repair and rehabilitation is more job-intensive than new construction. I assume that you would agree with that.

Mr. OSWALD. In many cases. And one of the reasons we have been pushing this accelerated public works is that it allows both. It allows both repair and rehabilitation as well as construction.

Mr. GEORGINE. I think not enough emphasis has been placed on the need for rehabilitation in this country. You have cities that are deteriorating rapidly. There is a complete disregard for the truly impoverished in this country. In almost every aspect it is in the best interest of the citizens of this country to repair these cities, to rebuild them, to rehabilitate them. We have to address ourselves to that particular issue much more than we have.

Senator McCLURE. Last week a group of us introduced a bill which we have called the Youth Employment Act which did not deal with the question that we are dealing with here. Senator Stafford has introduced and I have cosponsored a bill dealing with youth employment that gets directly at this question of repair and rehabilitation by allowing some capital expenditures as well in an area dedicated toward repair and rehabilitation.

I think that only underscores again both our concern for youth employment and also for the fact that for a good many of our cities in particular, the need may be greater for repair and rehabilitation of existing facilities than it is to build new ones. That may be a more critical demand right now. Certainly most of our programs in the past have been distorted in favor of new construction, almost to the total exclusion of repair and rehabilitation. Do you agree or disagree with that?

Mr. OSWALD. This bill is not directed exclusively at new construction. I think that is part of the reason we feel that it is so important to put additional funds into this legislation, because it handles both new construction as well as repair and rehabilitation. We are very supportive of this legislation.

Senator McCLURE. Thank you very much. I appreciate your testimony.

Senator BURDICK. Senator Heinz?

Senator HEINZ. Thank you, Mr. Chairman and Mr. Georgine and Mr. Oswald, it is a pleasure to have you here.

Thank you for your testimony. I have a question for you regarding the number of applications we might expect to have when we ever open up the process again.

As you know, there is an excess of $20 billion worth of employment applications. There are well over 20,000 applications that have been processed. Is there room to open up the application process again to receive additional applications?

Mr. GEORGINE. We figure there is about $60 billion.

Senator HEINZ. Is that an educated guess?

Mr. GEORGINE. It is a figure based on a survey we did last year of 75 cities in the country. We wrote to the mayors of every city asking them what projects could be built in their particular city immediately if they had funds available.

Senator HEINZ. Do you know if that survey was previously made available to this committee?

Mr. GEORGINE. We made it available during the hearings for the second public works bill.

Senator HEINZ. Very well. So they are part of our records?

Mr. GEORGINE. Yes.

Senator HEINZ. I think my colleagues have asked you just about as many questions as any of us can think of. I commend you for being here and making your contribution to our work. Thank you, Mr. Chairman.

Senator BURDICK. Thank you, Gentlemen. I was interested in your statement about not relying upon the exactness of computers. We had a Senator here yesterday morning by the name of Humphrey. We talked about his kind of problem. He said, "I am the computer." What do you suggest in the way of getting away from the guidelines or the marks that require computers? How do you bring in the human element? How do you bring in the judgment element?

Mr. OSWALD. The judgment element is already involved if people would recognize it in terms of what they put in the computer. They did allow a judgment element, for example, in the data that they put into the computer, in terms of evaluating unemployment in an area, they decided to take the unemployment rate for a whole center of a metropolitan area rather than the unemployment rate in that community. If they had recognized some of the printouts as requiring judgment in terms of prioritizing who got some of the funds, I think they would have made better judgments.

I think they just relied too automatically on what came out of the computer.

Senator BURDICK. Should we have criteria in this legislation? Do you think it is too strict?

Mr. GEORGINE. I think the bill is adequate. The last public works bill has all the necessary safeguards. The problem is that enforcement of the intent of the bill was not as strict as it should have been. Even with computerization judgment can be exercised.

I don't think it is too difficult to feed information into a computer and come out with seven or eight possibilities and then, make a judgment as to which should have the highest priority.

Senator BURDICK. Except for instances like have been related here about building a library instead of a pollution control plant of some nature.

Do you think the administration's first $2 billion have been well administered?

Mr. Oswald. It did get the money out quickly, or the authorization for the money, I should say, because the money isn't being all spent yet. I think there could be improvement in terms of how the administration could take place in the future. But I think it demonstrates that the type of guidelines that were in the last legislation are reasonable in terms of getting projects started quickly, funded quickly, and people to work. I think that is the basic goal of the legislation, and I think that basic goal has well met and, clearly indicated more money is needed. Perhaps there should be arrangements for priorities to be placed by the communities themselves on the various projects that they submit.

Senator Burdick. I wonder if there is a gap in the information you have. It apparently comes from the Labor Department. If I understand their releases, they believe that the employment is a little bit on the upgrade, that there has been some improvement in the housing industry. What do you say about that?

Mr. Georgine. It is just not a true picture. The Labor Department surveys unemployment by a certain formula. They do not survey those people who have quit looking for jobs. They do not count those people as unemployed who are working 2 days a week. They do not count the number of areas where whole unions have voluntarily gone on a 3-day workweek in order to insure work for all. These categories are all counted as employed. That is a major shortcoming with BLS statistics. Our figures are based upon health and welfare records, our checkoff system.

We know how many hours are worked in any area by our members. We find that there is no upturn. As a matter of fact, the situation is getting worse. The recent severe winter weather has made a bad situation worse. There is no upturn at all. The negligible amount of increase in the housing industry has not made an effect.

Senator Burdick. If our theory is correct, we should have some ripple effect from the money we are now spending.

Mr. Georgine. When it gets going.

Mr. Oswald. Even the Labor Department statistics show no change in their seasonally adjusted employment figures, for contract construction. In December they report 3,349,000, which is down a little bit from November, the same as in August, less than July, by some 30,000, and some 50,000 less than last January. So even their statistics of unemployment show no improvement whatsoever.

Senator Burdick. Thank you, gentlemen, for your contribution this morning.

Mr. Oswald. Thank you very much, Mr. Chairman.

Senator Burdick. I would like to welcome the three mayors representing the U.S. Conference of Mayors. They have been active and strong supporters of the first $2 billion program. We look forward to their suggestions on how to improve the next round. Will the following mayors come forward to the desk: Mr. Kenneth Gibson, Newark, N.J.; Lee Alexander, mayor of Syracuse, Peter Flaherty, Pittsburgh.

STATEMENTS OF KENNETH A. GIBSON, MAYOR, NEWARK, N.J.; LEE ALEXANDER, MAYOR, SYRACUSE, N.Y.; AND PETER FLAHERTY, MAYOR, PITTSBURGH, PA.

Mayor GIBSON. Thank you very much Mr. Chairman. I am Ken Gibson, mayor of Newark.

On my left is Mayor Alexander, Lee Alexander of Syracuse. On my right is Mayor Flaherty of Pittsburgh. I want to say first of all that we appreciate the opportunity to appear before the committee.

Once again I will indicate that the U.S. Conference of Mayors has been a strong advocate of the public works program.

This legislation, this Federal assistance effort, together with the countercyclical fiscal assistance and public service jobs programs, make up what we consider a necessary comprehensive and sound urban economic recovery package.

I might say in addition to the fact we are going to summarize our written statement, I would like to ask that the full written statement be entered in the record.

Senator BURDICK. Without objection, it will be received. (See p. 252.)

Mayor GIBSON. Before I summarize from that record, I would like to indicate that after listening to the testimony before you that preceded us, we mayors also are affected directly by the effects of the cold weather. We feel, frankly, that the effects of this cold weather that we are having, the extreme weather conditions, may very well wipe out the benefits of the Carter economic stimulus package that has been projected. We feel seriously that there should be major expansion of the President's economic package. We feel also that without a major expansion, we may very well slip into an even deeper recession at the end of this year.

What we are saying, quite frankly, Mr. Chairman, is that we need economic antifreeze. The Carter spending program, the spending part of the program that has been proposed, is only $1.7 billion above the present spending level. I might state that the Chase Econometric Study has said that if the cold weather persists the national economy will be in worse shape at the end of 1977 than when President Carter assumed office. I would like to emphasize we are disappointed at the level of the funding for the public works program. We urge that an additional $4 billion be authorized and appropriated in fiscal year 1977 for public works.

The U.S. Conference of Mayors has presented previously and has attempted very strenuously to make sure that the administration proposals are along the lines of what we consider more adequate stimulation packages. At the end of our testimony I would like to have submitted for the record our proposal which is the national urban investment program, which has been prepared for the U.S. Conference of Mayors. I will submit this for the record at the end of our testimony.

Senator BURDICK. Without objection, so ordered.

Mayor GIBSON. We feel, however, that in addition to the request for expansion, we cannot support extension of the public works program unless there are certain legislative and administrative changes to guarantee that the Nation's cities receive their equitable share of the funds. We are here today to tell you that the cities did not receive the equitable share of the $2 billion allocation. We strongly believe that the formula used by EDA goes against the congressional mandate to create jobs in economically hard hit areas.

I would like to give you some examples of what happened to the $2 billion allocation. Forty-nine of the Nation's 100 largest cities received no funds whatever. Fifty-eight percent of all the cities over 100,000 population did not receive grants. That pattern, of course, followed for those cities above 50,000, between 50,000 and 100,000. First the applicants were permitted to carve out project areas that gave them the best possible unemployment date. Quite frankly, there was gerrymandering at trying to submit applications. The requirement that 30 percent of the funds be allocated to the applicants with unemployment below the national average created gross funding inequities. We understand there is also dispute as to whether that was a requirement or suggestion, that 70–30 suggestion. We know that keeping that 30 percent creates some very serious problems for us in those areas of high unemployment. The standard definition of general purpose local government was for some reason broadened to include school districts, despite the fact that it is extremely difficult to develop unemployment and fiscal needs data for school districts.

Approximately 20 percent of the $2 billion was allocated to school districts. On a per capita income basis. 15 percent of the applicant's total score was used to measure the extent of poverty. No consideration was given to variations in the cost of living within a State.

As you know, it varies by areas. We have extreme variations across the State on income. To utilize, therefore, per capita income alone without some cost deflator is really statistically invalid. The treatment by EDA of the number of unemployed criterion was heavily biased against cities containing a high concentration of unemployed. As you know they used a logarithm scale in this area. Therefore, the higher the unemployment factor, the less benefit you receive effectively on a point score.

We would like to mention, therefore, some recommendations. First, the elimination of the 30 percent requirement of funds to be spent in areas with less than the national rate of unemployment. Second, eliminate the provision which enables applicants to custom-design project areas. Instead, require that numbers and rates of unemployment must be for the jurisdiction of the applicant. The Department of Labor has the necessary data to meet this requirement. It is being utilized in the countercyclical fiscal assistance program.

Third, meet the intent of the act by giving priority to applications from units of general purpose local government. In other words, cities and counties.

This could be accomplished by at least doubling the points now being given for these units.

Fourth, eliminate per capita income as a measure of the extent of poverty. If the extent of poverty is to be a valid selection criterion; then a more realistic suggestion or proxy must be used.

Next, we suggest that there be a development of an evaluation and scoring process which reflects the importance of the numbers of unemployed as an indication of need. Prohibit the EDA from using such procedures as the logarithm technique which virtually nullified this extremely important criterion.

The next suggestion is establish a procedure whereby the chief elected local official can indicate local priorities prior to awards being made.

I am sure you know that discussion you just had, as we understand from our level, after being denied funding in many of our cities, how important that is. We suggest that the Economic Development Administration should give priority to those proposals already submitted and processed in order to address the inequities resulting from the first round of funding; of course, with the understanding that the local administrators would be able to assign priorities to those applications. In this way the public works program could get moneys out quickly this fiscal year to communities to enable them to put people to work on vital public works projects. The second priority should be given to deferred maintenance kinds of projects.

I am sure you all understand what we mean by deferred maintenance of projects. In addition to physical structures in our cities, public facilities, public buildings, with the cold weather we are having now, all of our cities that are affected by the extreme weather conditions are going to have street, road, and bridge problems that are going to be unprecedented this spring and this summer. Our streets really, and the roads, are going to become hazardous as soon as the thaw and warm weather hits us. We suggest that the requirement for local match, no matter how small, be eliminated. The local match is a very serious problem for many of our cities, especially those who have laid off policemen and sanitation workers. Where we would get local match under present conditions is a very serious situation. In addition, many of us would be required to go in the bonding market. Of course, if we want to stimulate the economy rapidly, to go into a bonding situation would be almost self-defeating and defeating for the intent of these measures. There has been, of course, under the provisions of the act, the youth community improvement employment program, title II of the bill. We consider that a worthy initiative. However, we believe that any provision for young people should be fully integrated with the training and counseling services already funded under the CETA program. We do not believe that the Economic Development Administration is the appropriate agency to manage these endeavors. I want to make it very clear that we are certainly in support of youth employment and training programs.

We are sincerely concerned about creating a separate structure, separate bureaucracy, separate agency beyond those that have already been used and proven to be effective in these areas.

Mr. Chairman, I would like to end my summary there and ask Mayor Alexander and Mayor Flaherty to continue.

Senator BURDICK. Thank you.

Mr. Alexander?

STATEMENT OF LEE ALEXANDER, MAYOR, SYRACUSE, N.Y.

Mayor ALEXANDER. Thank you very much, Mr. Chairman.

Mr. Chairman, with your permission, I would like to file the statement and summarize.

Senator **Burdick.** Without objection, your full statement will be made a part of the record. (See p. 263.)

Mayor **Alexander.** I am mindful of the remarks of Senator Randolph earlier, and I think they are quite appropriate. I want to point out we are not here as complainants but really as allies. We are also here as spokesmen for the cities and particularly those cities denied funding under last year's public works programs. I would like to tell you a little something about Syracuse which I think is very representative of American cities in general.

Syracuse is famous as a city market area. Conditions that prevail there can be found in most cities in America. Fortunately, or unfortunately, we get more snow than any other place in America. Syracuse has an unemployment rate of somewhere between 8 and 9 percent. Although we had nine applications on board by the mayor's office, none of them were approved. That was not uncommon. As Ken Gibson pointed out, 40 to 50 cities of the 100 largest cities in America were not funded. Many of those cities had unemployment higher than the national average. But picking up on what Ken Gibson has alluded to, I would like to tell you something about what is happening in Syracuse as a result of the cold wave. We have lost some 14,000 industrial jobs. We lose, each and every week, some $3 million in retail sales. That would generate at 8 percent nearly a quarter of a million dollars for units of local government. And that is gone. We have 3,000 teachers that are out of work. We have closed all our schools for the whole week.

We may well have to close them for the next week as well. Five hundred and fifty industrial users have been shut down. Some 29,000 commercial users have had their energy sources curtailed by 20 percent. So it is against that backdrop that we come here seeking your assistance. It is also important to point out that nearly 50 percent of the money that went into the public works program to the State of New York went to communities that had unemployment rates less than the national average.

We know that was not the intention of Congress. We were the victims of a defective distribution formula as well as the victims of a defective economy. I think the great lesson we learned from last year's legislation was to recognize the ease with which the gap developed between the intention and action of Congress. We learned something else Ken has referred to. That is, 70 percent, a formula that disburses only 70 percent is wrong. One hundred percent of the money is not enough. Seventy percent is substantially less. We would ask that in devising a new formula we not be concerned as much with total number of unemployed. It is not as significant as the percentage of unemployed. We are concerned whether it is important for communities that are relatively affluent to enable them to propel themselves to eligibility by marrying into adjacent areas, by using statistics from those adjacent areas.

We think such a marriage produces some laboratory curiosities. I am sure Pete Flaherty will give you some examples of the birth of such a marriage. We are hopeful that you will repair the damage. We think that you can. We think you have to eliminate the conditions that made that damage possible. We would ask that you consider setting aside a special fund for those cities that were denied funding under last year's defective distribution. We think that is only fair and only reasonable.

I was quite interested in the remarks by Mr. McClure; I think it was about the mayor who wanted a sewer, not a new police station. I would ask, too, that the mayor be given the opportunity to indicate his priority among those applications being filed in his jurisdiction. I know that some people perceive that as an attempt by the mayors to arrogate to themselves additional power. I can assure you we don't want it, but we recognize it is our responsibility. You as elected officials know if you favor one application over another, you made all the other applicants angry. Someone has to make that decision. I would suggest respectfully that should be made by elected officials such as you and we because people have said it is their belief we should make that kind of decision. I don't think it should be a computer or an employee in the EDA department.

We found that doesn't work as well. We would ask that you eliminate the 30 percent provision for the reasons I referred to earlier. In connection with that, I would hope that you would require that the funds be monitored, the funds that are distributed to those communities who had a relatively affluent economy but received funding because they were using statistics in adjacent communities, that we assure they have an affirmative program that will give those people, those unemployed in the adjacent areas, to the public works you are funding. We think that is only fair as well. We hope you would include in this legislation countercyclical aid because we think that is a great shocker to areas of high unemployment.

We think it is very important as a hold on the line mechanism. In fact, I think actually countercyclical funding is a way of insuring the investment made by the Nation in these other programs. I think we have a foundation of experience now to work on. Although our initial assault produced many casualties, I submit we have the resources to recover. I think we have the opportunity to bridge that gap between intention and excuse. We are confident that a partnership will effect that.

Senator BURDICK. Thank you.

Mayor Flaherty?

STATEMENT OF PETER FLAHERTY, MAYOR, PITTSBURGH, PA.

Mayor FLAHERTY. My name is Pete Flaherty. I am in my eighth year of my apprenticeship as mayor of the city of Pittsburgh. Speaking directly to my city for the moment, the city of Pittsburgh has experienced the worst winter it has had in the last 100 years; that is, since the time we have been keeping weather statistics. We had 26 inches of snow in January. Our average temperature was 11 degrees, far below our normal mean for the day. Since Christmas day we have had 1 day where it has been 32. I understand today it might go up to that. Our schools have been closed for over a week, all of our schools in the city. We have had water breaks where water lines under the city streets get below where the frost line reaches them, freeze them up. We have had ruptures of water lines of over 100 breaks which require emergency attention, not to mention numerous households that have had emergency water breaks with their own plumbing breaks which are far more numerous than the statistics I have here.

Our snow removal for our streets has been around the clock on overtime. Our costs are about $300,000 more this January than it was the January preceding in our preceding budget year. In addition to that, I had to hire this year, for the first time in my 8 **years**, emergency contracts with private contractors where they have heavy duty equipment and trucks to haul away the snow and ice. Our unemployment rate prior to the severity of the winter has been running about 9.5 percent. The city of Pittsburgh didn't receive any funding under the $2 billion public works announcement that came out in the latter part of December. We were 1 of 49 major cities that were shut out entirely. Other cities in my State that were shut out are Erie, Scranton, Wilkes-Barre, Harrisburg. The money seemed to go around us but not quite to us. The unemployment since the energy-severe winter conditions in the State has soared 100,000 more than it was prior to the 9.5 statistics. The Pittsburgh Bureau of Employment Security has said for the city alone there are 9,000 more on unemployment in the most recent statistics put out, and they expect another 12,000 to go on just in my city alone.

Our rivers have been frozen or partly frozen. It prevents the barge traffic from moving on the rivers.

Our barge traffic carries fuel, fuel oil, coal and other resources up and down the rivers area to the city of Pittsburgh. Tonnagewise, those three rivers carry more tonnage than the Panama Canal annually, more than the Suez Canal annually, mostly to our industries that front along the rivers.

Over 1,000 of our industries in Allegheny County alone have been either curtailed or shut down as a result of the lack of energy, the lack of natural gas and fuel oil particularly. It was so severe that the President made his first visit out of the White House last Sunday to the city of Pittsburgh. He visited the Westinghouse plant in east Pittsburgh, where normally 9,000 employees are hired. That company is on a zero curtailment right now of fuel, zero curtailment of natural gas. It is working on April reserves. If something is not done, they could be down in another 2 to 3 weeks. What impact does it have on the public works bill? What impact does it have on the economy? I think it can be best judged by the unemployment figures that are continually rising not only in my city but in the cities around me in southwestern Pennsylvania.

I fully support the youth employment program that is part of the Senate bill. I think it is very important. We have unemployment in youths under 25 in the city of Pittsburgh ranging as high as 40 percent in the black community and as high as 20 percent in the white community. I think the section on youth employment could, especially with the severity of the winter—I can foresee putting those youth to work, those young people to work, in insulating and weather-proofing public facilities, low income family homes that will tie in with what the President has been talking about in conserving energy, and further weather-proofing public facilities as well as private ones. I also support the beefing up of the public works program. I recognize that $2 billion to be spread across the 15,000 units of local governments across the United States is a very tough job. Somebody said it is like a lottery for EDA to determine. I met with EDA and I am sure there are many variations that go into the formula.

I do think that there are some inequities that Congress and the Senate could perhaps, by better guidelines in the bill, correct. For instance, I have noticed that some communities received five times, six times their actual annual budget. My annual budget is $132 million. I would be glad to get 5 percent of my annual budget. It is rather shocking to see other communities get 500 percent of their annual budget and yet have a much different employment rate than we do. Perhaps there could be a ceiling in proportion to the annual budget of a unit of local government and the amount of funding it would receive. I think the city of Palm Desert, Calif., which is basically a seasonal resort area, received $4.8 million in public works money. I don't think its annual budget is anywhere near $1 million. That is just one area I would cite. Another problem that has occurred in the way the present formula arises is some small communities, let's say a community of 500 or 2,500, have tended to submit statistics saying that their project area has 288,000 unemployed in it. I think that has created a problem for EDA. It may very well be that the target area, the municipality or the Government that submits its figures, ought to do so on its own figures, the amount of unemployed in its own boundaries, rather than piggyback the figures of neighboring communities and add it on, asserting this is its unemployed project area.

These are just a few of the things that I would say have caused some inequities and some shocks around the Nation when the EDA released the figures and the distribution of the $2 billion. One thing that you do have in the bill that perhaps EDA for one reason or another overlooked was, and it is in the bill, the present bill even, that the Secretary, or I guess it is the Assistant Secretary in charge of EDA has the right and the discretion given him by Congress to override project grants if he sees inequities exist. Certainly I think it should be impressed in the bill again, or however, emphasized rather, that the Assistant Secretary ought to make sure the intent of Congress is not to circumvent it as I think it was in many of the cases that came out in the first go-around. Thank you.

Senator BURDICK. Senator Stafford.

Senator STAFFORD. Mr. Chairman, thank you. I apologize to the mayors of having to go to another meeting for a few minutes so I missed your testimony. In view of that fact, I will leave the questioning and defer to my colleagues who were here. I will say to the mayor of Syracuse that your city has looked very welcome to me several times when I have been flying small airplanes and needed to get on the ground and Syracuse happened to be the closest place.

Mayor ALEXANDER. Glad to have you there and glad to have you back Wait a couple of weeks, though.

Senator BURDICK. Senator McClure.

Senator MCCLURE. Thank you, Mr. Chairman.

Mayor Gibson, I appreciate your statement. I remember vividly the testimony you gave to the Budget Committee last month when you appeared on behalf of the U.S. Conference of Mayors. Indeed, it was very good testimony at that time. Not only your prepared statement but also your response to questions. I appreciate, too, your reiteration here this morning of the real need to address the problem of youth unemployment. I notice that you have in your prepared statement stressed reliance upon CETA and CETA mechanisms.

Mayor GIBSON. Yes, sir.

Senator MCCLURE. I suspect your testimony last month was one of the reasons why in drafting the legislation which I introduced last month for youth unemployment we did just exactly that. It may not be a perfect mechanism, but it is a mechanism that is there and it is one which I think, as you said, Mayor Alexander, we can build upon, a foundation of experience. I am continually puzzled by the experience you see in the field with the allocation of funds under a formula. The formula was not written into the statute. The formula was adopted by EDA as a means of expediting or following a congressional intent in the statute. There must be something wrong with the formula, I just cannot believe that something that has such foggy results is simply because for some mysterious reason results were incorrect.

There has got to be a reason. It has got to be imbedded in the formula that was used by EDA. Certainly from our standpoint in the passage of the bill last year we intended that employment opportunities be created in the areas where unemployment existed. I suppose it can be argued that the gerrymandering which did take place in the formulation of project area applications, which crossed political boundary lines, created employment in the unemployed areas even though the construction may have been in the suburbs. I don't know that we made an analysis of that. Have you?

Mayor GIBSON. We have not, Senator, made an analysis to determine how much construction actually took place in suburban areas to the benefit or really using those figures for the great population. That should not be hard to do, though.

Senator MCCLURE. I would hope somebody addresses themselves to that because it might very well be that a construction project just across the boundary line of a city in the suburban community might be adjacent to the hard core of unemployed within the city. We might be citing some statistics here that mask a favorable result from that construction activity.

Mayor GIBSON. Let me just respond briefly. I would not, however, at least from the area of New Jersey and Newark, suggest that that would be a favorable result, creating employment in the adjacent area. Newark, N.J., has an unemployment rate of about 17 percent. We did receive funds. The other two cities here did not. I don't expect that the surrounding areas of New Jersey would be providing employment to the residents of Newark, even those that received funds, just because of the nature of the employment practices in our area. It may not be true all over the country. Certainly it would not have been of benefit to Newark to have adjacent communities on public works projects.

Senator MCCLURE. I remember just before I was elected to Congress we had an accelerated Public Works project which was designed to create some employment opportunities in areas of chronic unemployment. My hometown was one of those small communities that qualified and got such a grant for that reason. We built some city streets and repaired some city sewers under that grant.

As I recall, there were 3 man-months of employment of people that resided in my city. All the rest of the workers came from Boise, 60 miles away. Maybe the opposite is also true, that the situs of the project construction may be outside of the city but the location of the workers who work upon that project may be within the city. Maybe because of the pattern of unemployment or patterns of employment in your city that would not be true in Newark. I don't know.

Mayor GIBSON. In our area it is more a matter of discrimination. In Newark the unemployed happen to be mostly black and Hispanic. We are still fighting in the entire area of New Jersey to get affirmative action programs on the projects which are going on without public works. So for Newark, N.J., that would not be an advantage for Newark. I am not saying that is true around the country. We are having a strong fight in New Jersey. One of the reasons that I ended up in the political arena is this whole question of fighting for greater employment opportunities in my city.

For any project that takes place in Newark, you can be sure we do not have a problem of affirmative action. I do have a problem in our suburban areas and even with some of the projects which are not too far away from Newark.

Senator MCCLURE. Just as a statistic may have militated against an effective program, it may also conversely make it difficult to measure the effects of the program.

Mayor GIBSON. I think that is what we are really after. I know that the mayors have to be concerned about the public works which are constructive within their boundaries and the needs are there. There is no question but this program is primarily aimed at providing employment opportunities for people who live in areas of high unemployment. There may be some inverse effect in the statistical measurements. One of the features of the formula which may be a problem is that EDA gives a 10-point preference in their formula for new construction as compared to repair or rehabilitation. I think you probably heard me ask the previous witnesses whether they agreed with the statistical information that would indicate repair and rehabilitation is more labor-intensive than new construction. Do you agree with that?

Mayor GIBSON. I really cannot give a direct answer on whether or not rehabilitation is more labor-intensive. In the city of Newark which is more than 300 years old, we have buildings that appear to be almost as old as the city. We would prefer in many cases to deal with the rehabilitation efforts. We have been very effective in rehabilitation of many of our public structures, many of our private buildings. Therefore, I would opt for a new construction over rehabilitation in our area. We think the local units of government should be able to establish those priorities and not have them established based on formulas which in many cases are not practical and practicable at the local level.

Senator MCCLURE. If the formula results in a choice of a project which is more labor-intensive than the alternatives, it would seem to me the formula is working against the purposes of the act.

Mayor GIBSON. That is true.

Senator MCCLURE. I just wondered whether you have a feeling as to whether there should be a bias in favor of new construction as compared to repair and rehabilitation or whether the formula that is used, if indeed we do use a formula, should be neutral along that question, or should it favor repair and rehabilitation.

Mayor GIBSON. I can only speak for our area. I should say it should be neutral. It is labor-intensive in new construction. It depends upon the type of project and what the priorities are.

Senator MCCLURE. Would either one of you like to comment?

Mayor FLAHERTY. I like the area of rehabilitation being added in. Take Federal road programs. A great majority of that money goes into new interstate highways. Very little goes into the rehabilitation of existing highways.

In most older cities, the roads tend to develop out of a horse and buggy age, dirt roads, maybe cow paths at one time, then cobblestones added, and then later on blacktop overlaid. I think with the tremendous problems we are having with salt and the severe chemicals they use and freezing and thawing cycles, we are going to have tremendous problems come spring. I think it is an excellent idea you are talking about, Senator. Let's put it in our roads and existing bridges and not just force it into new construction. That would be my feeling.

Mayor ALEXANDER. I would also agree, Senator, I would like the privilege of returning to the first point you brought up with Mayor Gibson as to the benefits that flow to central cities from having public works contracts, even though they might be in suburbs.

First let me say I don't think there would be any one of us taking the money back from any city that received it. They desperately need it. The work does benefit the central cities, even though it is in the suburb in many instances. However, so many of the projects that you touched upon in your last remarks on that subject, so many of those projects are desperately needed in the central city areas where we do not have the resources to build, rehab or repair or construct. The affluent communities that are receiving those projects have the resources, far more resources than we have. We could provide the same jobs in the central city areas and get the benefits of the projects: The schools, the firehouses. In my city we applied for a fire instruction school building that would be used to teach our firemen, train our firemen. We applied for reconstruction of sewers. We applied for hardware improvements in our streets, sidewalks, curbs, things that are desperately needed to keep a city alive, to make a city a contributing factor to the Nation's wealth. I think that we have been historically an important contributing factor to the economy of the country. What we are trying to do is restore the conditions that will enable us to once again be a vital factor in this Nation's well-being. So the projects themselves are very important. Either placed in the suburbs or central city they will provide jobs, as you very ably pointed out. But additionally they will give us the things to make our cities live.

Senator MCCLURE. So it would be your thought if there is to be a formula, that formula perhaps should include some factors that increase the likelihood that the areas of greatest need for the project, not just for employment, but for the project, should receive some kind of favor.

Mayor ALEXANDER. Yes.

Senator MCCLURE. Do you support also the use of a CETA mechanism? Has that been successful? Is that something you would favor so far as job opportunity in particular for you?

Mayor ALEXANDER. Yes.

Mayor FLAHERTY. I do, too. That is in my written statement, Senator.

Mayor ALEXANDER. I might point out in the context of youth unemployment, we had 1,000 jobs funded through the understanding of Congress on the importance of putting our young people from the disadvantaged areas of our city to work. But we had 3,000 applications. It is pretty hard to turn away 2,000. It is very important as a mechanism.

Senator McCLURE. As I recall, Mayor Gibson, you said in your earlier testimony before the Budget Committee that although your total city payroll, normal payroll, runs 5,000, that you had employed some 12,000 youth in a summer program.

Mayor GIBSON. We employ well over 10,000. The problem is, of course, in trying to triple your city employment for only about 2 months. That was done successfully in the city of Newark. We consider the CETA effort to be very satisfactory and very effective—again, not a leaf-raking project. Many people have criticized these programs as make-work. They have not been make-work jobs. They have been very effective of needed work in our city.

Senator McCLURE. Have you been limited in the employment opportunities which might have been afforded under that kind of a program because of the restriction upon the use of the money for purchasing materials?

Mayor GIBSON. Absolutely. I mentioned that in our previous testimony. If we are going to be effective and use our young people effectively and really provide adequate training we should be able to provide at least the necessary materials and equipment and tools in order to get the job done and get the training done.

Senator McCLURE. Do the others of you agree, or would you rather see that money applied to wages? Would you like the flexibility to vary the mix?

Mayor ALEXANDER. I feel kind of as articulated by Mr. Gibson.

Mayor FLAHERTY. I feel the same.

Senator McCLURE. I think you also stated you would like the flexibility to set the compensation levels so you might be able to include more people?

Mayor GIBSON. If you recall, Senator, yes, that was in response to the question of the prevailing wages dispute.

Senator McCLURE. Yes.

Mayor GIBSON. Of course, we would like to not have people work for nothing. We are not in favor of that. But at the same time we have young people who need employment training. They need to be able to understand what a job is all about. I don't think we should be required, absolutely, by law, to provide prevailing wages in many cases where we can give maybe 1½ jobs and some good experience and good training if we were not restricted in this wage situation.

Senator McCLURE. One final question. I think you made reference to the fact that schools had gotten quite a lot of the project money under the last round of project grants. You suggest that that be eliminated. Some cities have the responsibility for school building under their State charters.

Mayor GIBSON. Yes, sir.

Senator McClure. Other cities do not. Should schools be eliminated?

Mayor Gibson. No, sir. What we are suggesting—Newark, New Jersey, by the way, is responsible for the construction of schools. One of our school projects was funded.

Senator McClure. If the cities are responsible for school construction, then there is no problem. How about the areas where they are not?

Mayor Gibson. That in my opinion can be done with administrative directives, even in the law of having the school district combined with the local county or city jurisdiction as a part of the application. We applied for the school in Newark. I think the county or the municipality can apply for the schools in that area where they are eligible. We were concerned about having school districts which in many cases are not related to the political boundaries and having the gerrymandering take effect in these applications. I think there can be ways to do that. You can combine the applications in a way so that the schools that are being applied for can have the right kind of priority, assuming that the people are getting along at the local level. You cannot really deal with the practice that people may be fighting.

Senator McClure. I am not sure we have any answer for that.

Mayor Gibson. But that can actually be done. School construction can take place with the proper coordination with the counties and with the cities.

Senator McClure. Thank you.

Senator Burdick. Senator Heinz?

Senator Heinz. Thank you, Mr. Chairman. I would like to take this opportunity to welcome Mayor Gibson and Mayor Alexander and especially, because of parochial pride, our mayor of Pittsburgh, Peter Flaherty, who has been very active on a number of very important issues, among them bridge repair and rehabilitation.

Pete, it is very good to have you before the Public Works Committee.

Mayor Flaherty. Thank you.

Senator Heinz. One of the things that I think you have all talked about is some kind of a cap so that an area that is very small, as Mayor Flaherty, I think, referred to, doesn't get a project that might be four or five times its annual budget. Another suggestion we have had is that that cap be based on a multiple of let's say $300 or $200 times the number of people in that community. Do you have much preference one way or the other?

Mayor Flaherty. I am not sure, John, that I understand that latter part of your question.

Would you repeat that?

Senator Heinz. You have stated that we should perhaps consider a goal.

Mayor Flaherty. Yes.

Senator Heinz. The question is, how do you best arrive at that ceiling? Do you propose looking at the budget and relating it to the number of people in that area or just doing it on an absolute basis? I am asking if there are other measures such as relating it to the number of people times $200 or $300 as some way of limiting the public works investment per capita in an area.

Mayor Flaherty. I am not hung up on the indicator that I mentioned. It is just to prevent inequities there should be some cap, some ceiling. It could be other than the annual budget. That is just one easy way of doing it, and a clear-cut way. There are other ways, as you suggest, that would be probably equally as helpful.

Senator HEINZ. One of the things that I think practically every witness who has come before this committee has been very sensitive to is what has been called gerrymandering or using unemployment statistics from one area that in some sense are not quite fair and really don't apply.

For example, Pete's brother has done very well in Allegheny County because I think the application for Allegheny County included statistics for Pittsburgh.

Mayor FLAHERTY. No; actually he didn't do that well.

Senator HEINZ. At least he got the project.

Mayor FLAHERTY. For Clarion County, Allegheny got one project. He got it under the 30-percent funding. The county is not under the 70 percent, no.

Senator HEINZ. Let me ask you about the problem that arises. I think the goal is a worthy and objective one. But you mentioned that you have been down to East Pittsburgh, which is actually the borough. It is not a part of Pittsburgh, right?

Mayor FLAHERTY. That is right.

Senator HEINZ. It is really a part of Allegheny County, rather than the city of Pittsburgh. Yet obviously it is quite close into the city of Pittsburgh because many years ago when our forefathers drew the boundaries of Pittsburgh they drew it very small. There are many communities such as East Pittsburgh that are indistinguishable from some cities. How would you take into account the fact that East Pittsburgh as an example would be subject to Allegheny County unemployment statistics and probably not be subject, under most of the proposals we have heard, to the city of Pittsburgh statistics?

Mayor FLAHERTY. Take the whole region. The whole southwestern section of Pennsylvania is about 2 million people, about one-fifth of the population of the state. It is a highly industrialized area, old industry, high unemployment rates, 9.5 in the city, sometimes higher in some of the communities as perhaps East Pittsburgh; I don't know. Yet that entire southwestern corner receives less than 1 percent of the money coming into the State of Pennsylvania for high unemployment funds, $58 million came into the State of Pennsylvania in the high unemployment funds. That is the 70-percent money. Only one community got it. There are 129 communities. I am just one city in that, one city in the entire southwestern corner.

The city of Dunmore, God bless them, they received $750,000. That is less. There has got to be some inequities that exist when that type of thing happens.

Senator HEINZ. There is absolutely no question there are inequities. As a witness briefly said, as John Eden, I think, previously pointed out to us, if you were much below 11-percent unemployment, you didn't get anything under the 70-percent money, and then everybody under 7.6 percent did quite well.

Mayor FLAHERTY. I think the word EDA gave me is we are an aberration. We are too good for high unemployment and not good enough for the other 30-percent money.

Senator HEINZ. What you are talking about is obviously an important problem. It has been proposed that we change the 70 to 30 to 85 to 15 or 100 to zero.

Mayor FLAHERTY. The only thing I would add is other communities piggy backed. We used our own figures. I said there were 19,000 unemployed people in that city. And within the jurisdiction that was the number. We didn't piggy back other communities. That is one of the real problems here.

Senator HEINZ. Do you have any thoughts, though, on how to address the problem of East Pittsburgh, that is to say, an urban area that is very close into a statistically valid urban area such as Pittsburgh, Newark?

Mayor FLAHERTY. I am sure they were equally disappointed as the city of Pittsburgh in not receiving that funding. I am sure they have a high unemployment rate.

Senator HEINZ. Let me ask you one other question. I think it was Mayor Gibson who suggested that we should eliminate per capita income as a measure at least as it is now used; and if we were to use it, relate it to the cost of living. I can appreciate that because generally speaking the cost of living in the North tends to be higher than the South and it is higher in the urban areas than rural areas.

My question is, do you think that can be done with the present applications without requiring resubmission? Do you see any barrier to our doing it?

Mayor GIBSON. I really don't think there is a question of the applications. It is the question of the application of whatever formula is developed. The applications really are there and I think if we can have the local executives and officials establish priorities, you can still have those programs evaluated with the new formulas, with a different approach to the question of per capita income. That does not really change the application.

Mayor FLAHERTY. It may be, John, you don't need a change in the legislation. It may be you need better guidelines. For instance, it shouldn't let a municipality or give the unit of government a chance to go either way, as they could. Some use the SMSA statistics. Others use their own geographical limits. It ought to be one way or the other. I think if you just did that, it would be helpful.

Senator McCLURE. Would you yield on that?

Senator HEINZ. Yes.

Senator McCLURE. One of the problems that can happen with that approach, however, is where you have a large city that has unemployment statistics for the entire city that are relatively favorable but within that city are some areas of very, very high unemployment rates. The entire city's affluence would eliminate the possibility of dealing with that pocket of unemployment.

I am not sure that I know what the answer is. If I were to generalize, I would say throw the computer away and we will sit around the table and work something out. But that may be a little too broad a generalization.

Mayor FLAHERTY. You are right. But at least as long as it is clear you cannot go either way. I think that in itself would help clarify it.

Senator HEINZ. That question of Senator McClure's leads to another very important question, which is: How can we give local governments or some kind of regional jurisdiction the bare minimum of flexibility to exercise more choice? In northeastern Pennsylvania, in one county, there were three projects very similar, high rated, but they took the top of the three projects, which is the one they wanted least. They would much rather have had a jail, I think, than swimming pools.

Mayor Flaherty. The same thing happened in Allegheny County. They got funding for Settler's Park, which is one of their lower priorities. The same thing is true right at home, John.

Senator Heinz. How would you permit such local choice to be exercised? I address this to anyone.

Mayor Gibson. I really think it is fairly easy. We are asking really that the local jurisdictions be allowed to establish their priorities. We can sit down and talk about the priorities.

Senator Heinz. Let's pursue that a little further. Let's suppose you have a project that rates on a scale 110, another rates 90, another rates 70. Between 70 and 110 is a difference that is pretty great. It might be that from the standpoint of the best use of the money overall that it really would be very tough for this committee, for example, to say yes, we want to let you choose 70 over 110. I would think there would have to be some limits within which we want that choice constrained so you did not choose a project that just really was stuck in over the threshold over a very highly rated one.

Mayor Gibson. We are talking about those numbers which is a problem. I think if you could have a flexibility in the administration of the program, be able to sit down and talk about what the local priorities are—I am not saying the total numbers in the act—but sit down and talk about why you would want to discuss the construction of a project rating 70 as opposed to 110. I think the local people should be able to explain that. If they cannot satisfactorily explain it, they can't fund it.

Senator Heinz. It sounds like a lot of talking, 22,000 applications.

Mayor Gibson. There is nothing wrong with that. I think we do that with many other projects as far as projects. Let me get back to the problem of caps because this is very important. When you set priorities on the statistics that come out of a computer, without a formula, you don't take into consideration some local problems. There are various local problems. You may have a city that has no sewer system and a sewer system comes out rated 70 on the scale. We talk about environmental problems and health problems which are not related to the formula at all. We may be able to sit down with that Administrator and say, "We have to have the sewer system or else we are going to have disease problems and epidemics." You don't have to go too far with a long discussion on that. We have been able to discuss these things. What we are saying is don't bind us in the formula so that binding cannot be changed.

Senator Heinz. The question would then be, Why have a formula?

Mayor Gibson. You have to have some guidelines, like anything else.

Senator Heinz. Something to argue about.

Mayor Gibson. That is right. You have a formula for beginners. If local people accept that and have those priorities, you have no problems. But we should have enough flexibility to talk about those allocations.

Senator Heinz. I hope I am not putting words in your mouth, but what you are really saying, I think, is you would like everybody to be allowed to submit their projects based on your own priorities, priority 1, priority 2, priority 3, and then really put the burden on EDA to say no, priority 1 doesn't really deserve, for a bunch of reasons, to be priority 1, and argue about it.

Mayor Gibson. That is right.

Senator Heinz. That is really what you are suggesting.

Mayor Gibson. The other thing we would like to see is if EDA comes out with allocations and appropriations that say we are going to fund No. 3 on your priority list, at least give us an opportunity to come in and argue about that kind of a program.

Senator Heinz. One last question. I don't know where the committee is going to come out on this question. That may be too straightforward and therefore a radical suggestion for the committee to accept. It sounds, as you say, quite straight forward. But if you do take into consideration in fact there are 22,000 applications, that could take a long time for all of those conversations to take place.

Let me just ask a question of you. Suppose we established a range, some kind of range within which substitution would be permitted; that if you had three projects between 90 and 120, that you could pick whichever one of those it was you wanted.

How would you feel about that kind of an approach the program?

Mayor Gibson. That is better than what exists now. No question about it. Again I want to make sure you all understand that using 90 and 110 as numbers to establish priorities, without at least having an ability to discuss the problem, local considerations, local problems—and I cannot think of all the possibilities—but I can understand a mayor, county officials, and others who could be very seriously upset if they were not able to at least make the case. That is all I am saying. Allow us to make the argument. Right now under the existing procedures we are not allowed to make the argument.

Senator Heinz. You want a day in court?

Mayor Gibson. Yes.

Senator Heinz. Thank you very much. It has been a pleasure.

Senator Burdick. In S. 427, as you know, we added a 20 percent local match for a possible third round. You say you oppose that. We did provide a waiver for that, but then you said you couldn't afford it. If needy applicants got 100 percent, would you agree the local match requirement would tend to limit the number and quality of applicants and that those submitted would be high-priority projects?

Mayor Gibson. My problem with local match is that there are many cities who would have high quality applications and have submitted high quality applications that really wouldn't be able to afford a local match, regardless of the quality of the application. Again, we are talking about new capital programs in many cases and construction items. Without the available cash for the local match, many of us would have to go to the bond market to deal with the bonding of 20 percent of a project, or whatever that percentage would work out to be at the local level. That becomes a very serious problem in trying to stimulate the economy and trying to get these projects started, because that money would not be available on the same kind of time period we are talking about getting these jobs into the ground and out of the ground.

Senator Burdick. The point I am making is that this waiver provision in here would give some flexibility and some discretion in this area.

Mayor GIBSON. OK. As long as there was a lot of discretion is what I am saying.

Mayor FLAHERTY. The problem I have had with local match would be, Senator, I think one of the guidelines that is built into the present legislation, and perhaps it is the regulation, is that a project cannot be one that is already funded. It has to be one that is kind of lying dormant on the books that a municipality has in the design stage, in the engineering stage, and just doesn't have its own bonding funds or community development funds available for it. So it is going to this. I think that what you would do there is you would commingle. You would have to take then 20 percent back out of your bond funds out of some other project to put it into the public works bill. That is why I think the public works bill is 100 percent funding. It was in its original stage. I think probable you would begin to commingle again. I think Congress in its intent was to keep it clear of other funded projects.

Senator BURDICK. What does Syracuse have to say?

Mayor ALEXANDER. Just a very brief comment since we have taken so much of your time. I think the very notion of local match violates the whole concept of Federal funding. Our communities have been anchored to an inflexible level, to a specific level of revenue, in the late sixties. In the seventies when Congress implemented revenue sharing, it was for the purpose of freeing us from that anchor so that we could meet the demands that were being placed upon us because Congress understood that our resources were being exhausted, that we had fixed income, and, as a matter of fact, the city of Syracuse receives 50 percent of the money it spends from the Federal and State governments. We don't have the resources to provide that local match. To have such a provision I think would be turning the clock back, failing to recognize that problems we have are simply because we do not have expanding sources of income.

Our lifeline is to the Federal Government, more so than to the State government at this time. When a project is there, we look to the Federal Government to help us. Indeed, to come up with 20 percent is a strain we couldn't survive. We are very grateful for the revenue sharing that was implemented back in 1972. It didn't give us a plus existence, but allowed us to save ourselves. It was a lifeline.

Mayor FLAHERTY. Perhaps, if I may interrupt, another element to be considered in local match is remember most of this money passes through right to the private sector. It really doesn't create public service jobs. We contract it out to private contractors. I think 85 percent of it goes to the private sector to beef up and stimulate the economy there. So there are big benefits to the private sector.

I don't really think we get much of a public service benefit out of it like we do in the CETA jobs.

Mayor ALEXANDER. It would be a bias in favor of the affluent communities that could match. It would work against the central cities.

Senator BURDICK. EDA tells us in a release here, I believe the testimony bears it out, too, the testimony of Mr. John Eden, that 65 to 70 percent of this first $2 billion went to the cities and large urban centers. Do you agree with that?

Mayor ALEXANDER. They have included the suburbs in making that calculation.

Mayor FLAHERTY. What is a city? What is an urban center? That is what you get into.

Mayor ALEXANDER. I think you are talking about larger areas. I guess it is how you use it. All we know is that nearly half, as Ken Gibson pointed out, of the 100 largest were not funded. All I know is 50 percent of the money that went to New York State went to areas with relatively low unemployment.

Mayor FLAHERTY. What they are not saying is the central cities. Sure, it went to urban areas. Most of the population is in urban centers today. They are saying that as opposed to rural areas, I think. But they are not saying that 70 percent of it went into central cities. Most of it went around us. I think it is very difficult to grapple with a loose term like they are giving you.

Senator BURDICK. I am leading up to my next question for Mayor Gibson. In your testimony you recommeded the applicant is unemployed in the jurisdiction as the base criteria. That works pretty much against the low population centers of this country, doesn't it?

Mayor GIBSON. I don't think it would work, Senator, against the low population centers. It is a question of how much weight you gave to that factor in the decisionmaking process. What we are saying is that the weight given to that factor in the last go-round was not properly weighted if you look at the number of people who were unemployed but, more importantly, the percentage of people unemployed in this area.

Senator BURDICK. We have some small town problems, too, you know.

Mayor GIBSON. Yes; and we have some in New Jersey. We are not opposed to that. I want to make sure you understand.

Senator BURDICK. This is one criteria, then.

Mayor GIBSON. Just one of the criteria. We are not opposed to that. We are concerned about the weight that is given to the per capita question and the weight that is given to the unemployment rate and the weight that is given to the numbers of unemployed people. If you use the strange scale that was used in the number of unemployed, for instance in the previous allocation, then those who had 100,000 unemployed did not benefit substantially to the same degree as they should have as compared to the area that had 10,000 people unemployel.

Mayor ALEXANDER. Mr. Chairman, I don't think there is any disagreement because we, too, are concerned about a formula that uses whole numbers of unemployed. We think it is more significant to use percentage of unemployed for comparative purposes. That would then take care of the problem you properly raise for our consideration.

Senator BURDICK. You have been here quite awhile. You have been very patient and helpful. On behalf of the committee we want to thank you for your contribution.

Mayor ALEXANDER. Thank you.

Senator MCCLURE. Mr. Chairman, could I ask one further question before the gentlemen leave? We are talking about one particular aspect of the possible public works program. I think you may be, or you are perhaps not familiar with the title X which allowed Federal moneys to be allocated to supplement local, State or Federal moneys, so that if, for instance, you had a runaway extension project, you floated some bonds, you advertised for bids and they were higher than your available money, therefore the project was shelved, but a small amount of money in this pot would be released and activate all of the money in that pot. It was a direction to EDA to determine the job effectiveness of the expenditure of money from this pot of money. Have you had any experience with title X?

Mayor GIBSON. I have not had personal experience in the area. Have any of you.

Mayor FLAHERTY. I don't think so.

Senator McCLURE. I wish you would take a look at that and see whether or not you would agree with me that this might have the potential for expanding the amount of money which could be immediately available for expenditure, because there are other moneys in that kind of category that are sitting there waiting. They have the benefit, I think in almost every instance of being a project that is ready to go. They went to that point before they found out they didn't have enough money. EDA has had great trouble with the implementation of title X. I think John Eden was just beginning to see the potential and was beginning to try to make it work. But it has never lived up to its potential in my judgment. I think it is a concept we might well look at again and see if we could make it work better.

Thank you.

Senator BURDICK. Our next witness is Mr. Frank H. Armstrong, associate professor of forestry, University of Vermont.

Senator STAFFORD. Mr. Chairman, I would like to especially welcome Dr. Armstrong here in front of this committee. We all appreciate your coming down here to counsel with us and give us the benefit of your advice as we are going ahead with this legislation. On behalf of my colleagues, we are very happy that you are here and we look forward to hearing from you.

STATEMENT OF FRANK H. ARMSTRONG, ASSOCIATE PROFESSOR OF FORESTRY, UNIVERSITY OF VERMONT

Dr. ARMSTRONG. Thank you, Senator Stafford.

Mr. Chairman and members of the committee, I am Frank Armstrong, associate professor of forestry at the University of Vermont. In addition to teaching five forestry courses, I direct research under the McIntire-Stennis program. My associates and I have been studying the accomplishments of the Civilian Conservation Corps (CCC) and the Youth Conservation Corps (YCC) for 6 years. Although I am presenting these remarks in full consideration of our findings, I represent no organization and I am speaking solely for myself.

The proposed youth community improvement program would alleviate this crisis of youth unemployment. The youth could, under proper supervision, develop a good work ethic, and their accomplishments could add considerably to the quality of life of ourselves and our descendants.

The statement of purpose, section 1101, is good. The CCC had the stated dual objective of relieving youth unemployment and accomplishing conservation work. Over and above the stated objective, the CCC enrollees did gain valuable work experience and skill training. One of my associates, J. C. Triplett of Caribou, Maine, has recently traveled through 27 States recording oral history discussions with CCC veterans. He has documented much of the work experience and skill training that were attained. The dominant reason, for the success of the CCC in these aspects, was that the supervisory personnel were knowledgeable of the work that they were supervising: they had an excellent work ethic; and they were strongly motivated.

The definition of "eligible applicant" in section 1102(1) coupled with discussion in further sections could lead to an unwieldy organization if many local governments applied for such designation. Furthermore, a specific national forest could apply through the State organization and also local governments. This might be administratively complex. I would suggest consideration of an organization with only one applicant in each State, or possibly a State-level organization to review and coordinate projects.

The age of the youth, as specified in section 1101(2), could lead to conflict with child labor laws which forbid youth, who have not attained the age of 18, from fighting forest fires and other categories of woods work. It would be desirable, from a forest management point of view, to have the flexibility to divert any crew working in the woods to fire fighting. The proposed age could be changed; exceptions to the child labor laws could be included in this enabling legislation; or some combination could be devised.

The authorization of the type of work should avoid undue restriction, for in the event that enough meaningful projects have not been authorized the manpower will be diverted to "make work" jobs. Section 1105(a) is broad enough in the scope of work permitted on publicly held lands. In addition, it might be well to include work on privately owned land in cases. In 1937, there were 528 CCC camps operating on privately owned land. Some were on forest protection where the projects were a part of a State or communitywide protection plan; some were engaged in soil control; and others were reconstructing drainage and irrigation systems. In consideration of the dominant private ownership coupled with the large numbers of unemployed youth in the East, I recommend the following inclusion:

> Projects on lands in private ownership for the purpose of doing thereon such kinds of cooperative work as are, or may be, provided by acts of Congress are authorized providing that the value of work accomplished on private lands shall not exceed the current authorized Federal share in such programs and the work shall be in lieu of monetary compensation, except that the construction and maintenance of public recreational trails and bikeways traversing private lands may be accomplished without regard to any authorized Federal share. Provided further that the planning for work on private land may be accomplished by consulting foresters and consulting engineers with payment for these services by the landowner with due credit for the cooperating share of the cost. Work may also be done within right of ways of town and county roads, and on navigable waterways and streams, but will be restricted to work that does not compete with normal employment. Provided further that work of any type on any lands or waters within designated disaster areas is authorized under State control.

The provision in section 1106(b)(5) that any income generated by the project will be applied toward the cost of the project may be pertinent in cases but this section could lead to complications in projects such as a forest plantation on a State forest that would generate income at some distant date.

In addition to the foregoing, I suggest consideration of a requirement that the youths and the supervisory personnel within the several

States of the Union and the District of Columbia be citizens of the United States.

The proposed youth community improvement program has strong points. The program can be undertaken quickly without a need to construct camps with the time consuming preceding requirement of an environmental impact statement. The youth would generally work within their own State and could live at home. The proposed act would permit inclusion of correctional center conservation programs for selected youth such as the State of California has done so well with. There is a clear requirement for the supervisory personnel to be trained in the field of work they are supervising. And the thrust of responsibility onto State and local governments is in keeping with our heritage.

In the 1930's, our Nation enhanced the quality of life for nearly 3 million young men in the CCC. They, their families, and their descendants are better Americans because of the experience. Their contribution to our economy with the attendant economic multipliers has been large. The value of their accomplishments has been increasing, generally at a compound interest rate, for some 40 years. The judge of the Chicago Boy's Court and the New York City Commissioner of Corrections attributed a 50-percent decline in the crime rate to the CCC. Almost all of the youth improved themselves physically, mentally, and morally. Many of the youth became combat leaders during the war. But most important of all, they learned a work ethic, which by my definition is the love of physically challenging work, pride in accomplishment, and pride in one's skills.

I appreciate this opportunity to participate in enabling today's youth to experience the same enhanced quality of life that we extended to the youth of the CCC.

Thank you, Mr. Chairman.

Senator BURDICK. Thank you.

Senator?

Senator STAFFORD. Thank you, Mr. Chairman. Thank you, Dr. Armstrong.

One of the main thrusts of the legislation we are considering and the legislation that we passed last year has been to get projects started within 90 days. Having that in mind, in connection with title II of the bill, could you comment on the availability of projects under title II for startup within 90 days?

Dr. ARMSTRONG. I could comment primarily on the forestry work that is available. We know there are more than a million man-years of backlog of work presently in our Federal forests alone. In addition to that, we have a tremendous backlog in the State forests.

Senator STAFFORD. That work could be started within 90 days?

Dr. ARMSTRONG. That work could be started within 90 days on these provisions where we don't have to build camps. But if we have to go through the camp construction, then we have to contend with the environmental impact statement, and there goes at least a year.

Senator STAFFORD. In your experience and judgment, are there supervisory personnel available to take the oversight of this kind of a program at the present time?

Dr. ARMSTRONG. Yes; there are. We have a number. I don't know the exact number now, of ranger schools, 2-year forest technician schools. There are a great number of youth available now that are trained and ready to go to work on this well within 90 days.

Senator Stafford. Could you comment a little further, Doctor, on what you consider to be the actual benefits of work experience for young people among the ages of 16 and 19 and 20?

Dr. Armstrong. The idea would be to remove many of the city youths to the country to a totally new environment and to enable them to learn what an honest day's work actually amounts to; getting up in the morning, getting started on the job, to learn to love physically challenging work and not to be afraid of it. If they learn this, then as we found out in the 1930's, the youth are much better prepared to take their jobs in society. This seems to be more important, in my opinion, than training for any specific skill as an electrician or carpenter or plumber. They can learn the rest once they have learned the meaning of an honest day's work.

Senator Stafford. Thank you very much for your very helpful statement and responses to these questions.

Thank you, Mr. Chairman.

Dr. Armstrong. Thank you.

Senator Burdick. I want to thank you for your testimony. I have just one thing that has been bothering me a little bit. As I understand, the provision of this is to include the age group from 16 to 21, is it; 16 to 19?

Dr. Armstrong. Sixteen- and seventeen-year-olds could not under present law fight a forest fire. So if you had a crew working in the woods and a fire broke out, you would have to screen out the 16- and 17-year-olds, send them home and take the rest to fight the fire.

Senator Burdick. Mr. Armstrong, this is what I was thinking about. Why aren't they in school?

Dr. Armstrong. The 16- and 17-year-olds probably should be in school.

Senator Burdick. Are we working at cross-purposes here in making this available? Are we taking away from urging them to attend school instead of enjoying the camp?

Dr. Armstrong. I would personally support the idea of making the minimum age 18. The 16- and 17-year olds would be in school.

Senator Burdick. I am asking these questions. I am wondering if we are at cross-purposes here?

Dr. Armstrong. No, I don't think we are. I think there are plenty of 18, 19 and 20 and 21 unemployed youth that would be very anxious for this type of work. The 16- and 17-year-olds could do the type of work that was proposed in Senator Stafford's proposal here to work in local communities on perhaps other types of work. Perhaps that could be done.

Senator Burdick. I suppose there might be some jobs that might be close to a school. You could work in some dual work, go to school and also do the work. But I suppose there are other areas where that isn't possible, too.

Dr. Armstrong. Yes.

Senator Burdick. Thank you very much for your testimony this morning.

Dr. Armstrong. Thank you, Senator.

Senator Burdick. The committee will be in recess until 1:30.

[Thereupon, at 12:30 p.m., the committee recessed, to be reconvened at 1:30 p.m., the same day.]

AFTER RECESS

[The subcommittee reconvened at 1:45 p.m., Senator Quentin N. Burdick, chairman of the subcommittee, presiding.]

Senator BURDICK. Mr. Andrew Ebona, executive director of the United Indian Planners Association; and Ms. Evelyn Pickett, National Tribal Chairmen's Association.

I am taking you as a panel and you can proceed in any manner you wish.

STATEMENT OF ANDREW EBONA, EXECUTIVE DIRECTOR, UNITED INDIAN PLANNERS ASSOCIATION, ACCOMPANIED BY EVELYN PICKETT, NATIONAL TRIBAL CHAIRMEN'S ASSOCIATION; CHARLES E. TRIMBLE, EXECUTIVE DIRECTOR, NATIONAL CONGRESS OF AMERICAN INDIANS; AND RANDY SCOTT, UNITED INDIANS OF ALL TRIBES FOUNDATION

Mr. EBONA. Thank you, Mr. Chairman.

My name is Andy Ebona. I am the executive director of an association based out of Washington, D.C., known as the United Indian Planners Association. The membership of the organization is made up of those individuals who are employed as planners and resource development persons for Indian tribes and organizations around the country. The board of directors of UIPA is made up of a representative from each of the 10 Federal regions. The main purpose and objective of UIPA is to enhance the professionalism of planners in Indian country.

Indian country consists of 55 million acres of land in the contiguous United States and 40 million acres of land in the State of Alaska. These lands for the most part remain underdeveloped. There are about 275 reservations and 170 Alaskan Native villages in 31 States. The population figures for Indians and Alaskan Natives number approximately 570,000. Additionally, those living off reservation number 500,000. Unemployment in Indian country ranges between 35 and 80 percent, in comparison with an 8-percent figure with the rest of the country.

The per capita income for an average family residing on a reservation is significantly lower than what is for the rest of the country which, by Bureau of Indian Affairs statistics, is roughly one-third of the national average. This means that Indians living below the poverty level number roughly 40 percent as compared to 14 percent of the rest of the country. These statistics are very real and we can couple them with suicide rates, alcoholism, educational achievement levels, lack of adequate housing and on, and on. Many of these statistics may be verified by the Bureau of Census, the Bureau of Indian Affairs, and the volumes of overall economic development plans developed by planners in Indian country.

Numerous studies, reports, and millions of dollars have been meted out in the name of American Indians. No one can discount the fact that these efforts were well meaning; however, the grim statistics remain. Efforts are being made by Indian tribes and organizations along with Federal, private, and some State agencies to change those statistics. But there is still a lot of work to be done. The EDA has been at the forefront of Federal Government efforts to provide meaningful programs to Indian country, through funding planning personnel to develop project priorities, technical assistance funds to develop projects, and finally public work funds to finance projects for those documented needs.

The public works employment bill now before Congress is one of those efforts badly needed in Indian country to help improve the situation. UIPA views the LPW program administered by the Economic Development Administration as one of the more positive programs providing long-term benefits for Indian country. In the last go-around for the LPW program, 78 different reservations participated in the program out of 275 reservations and 170 Alaskan Native villages. The 86 projects were funded at a cost of $62.6 million or 3.2 percent of the $1.9 billion allocated. The number of applications received by the agency numbered approximately 286. There is no question about what sort of positive impact those dollars will have in Indian country, and it should be noted that those projects selected were very basic amenities for the reservation communities, in keeping with the intent of the LPW legislation.

Those individuals involved in Indian affairs know that general efforts to stimulate the national economy usually does not affect Indian country. The Public Works Employment Act of 1977 will assist in meeting some of the employment needs of American Indians and Alaskan Natives.

In view of this, Mr. Chairman, we offer the following recommendations for your consideration:

(1) Congress approve a maximum allocation to meet the needs nationally for both non-Indians and Indians.

(2) In order to meet the needs of Indian country, a 5-percent set-aside should be included in the legislation.

(3) The Indian funds should be allocated on a national basis rather than a region-by-region basis.

(4) Tribes not funded in the first go-around should have a higher priority than those that were funded.

(5) The Washington, D.C., Indian desk of EDA should have the decisionmaking authority to select those projects for final approval by the Assistant Secretary.

(6) The Washington, D.C., Indian desk staff, even without a special program, need additional staff.

Mr. Chairman, this is not part of the regular testimony that I provided you. But I would just like to make additional comments. I would like to briefly point out the need to fund urban Indian programs around the country. Construction of facilities on off-reservation areas where Indians or Alaskan Natives reside is an important aspect to consider. It should be noted that approximately one-half or 500,000 native Americans live in urban cities around the country. Of this group, nearly 36 percent are unemployed. These individuals and families migrate to the cities to seek employment and educational opportunity. As you can see by the unemployment data which was gotten out of the questionnaire prepared by the Urban Task Force of the American Indian Policy Review Commission, the hope of gainful employment did not materialize. Indians continually migrate back and forth between cities and reservations or villages, and the creation of employment through the construction of facilities will help all Indian people no matter where they choose to reside. It is apparent that the employment programs designed to help the general population are somehow not reaching the urban and off-reservation Indians.

In conclusion, Mr. Chairman, we appreciate the opportunity to present testimony on behalf of UIPA and its constituency and appeal to you Members of Congress to recognize the unique and oftentimes critical needs of Indian people, and the impact that the second appropriation of LPW funds will generate throughout Indian country.

Senator BURDICK. Thank you very much for your contribution.

Ms. Pickett?

STATEMENT OF EVELYN PICKETT, NATIONAL TRIBAL CHAIRMEN'S ASSOCIATION

Ms. PICKETT. Thank you, Mr. Chairman.

My name is Evelyn Pickett. I am on a 2-year inter-governmental personnel assignment to the National Tribal Association. In the absence of other officers, they have asked me to present the statement. I am a member of the Cherokee Tribe of Oklahoma.

Mr. Chairman, the National Tribal Chairmen's Association would like to thank you for your invitation to testify here today on the Public Works Employment Act of 1977. Unemployment on Indian reservations, especially among our youth, ranks as one of the gravest concerns of Indian tribal government, and S. 427, we believe, represents the potential for Indians to make substantial inroads into a problem which plagues developing reservation economics.

The National Tribal Chairmen's Association (NTCA) is an association of the elected or appointed chairmen, presidents, governors, or chiefs of the federally recognized Indian tribes of the United States and the Alaska Native regional corporations. Membership in NTCA includes the leaders of approximately 190 tribes from all parts of the country and most of the major reservations. The organization represents approximately 90 percent of the estimated 800,000 American Indians and Alaskan Natives.

NTCA was formed in 1971 to represent the federally recognized tribes at the national level in working to secure the rights of Indian tribes and people.

As a group the American Indian and Alaskan Native living on Federal reservations and trust land—the people we represent—are faced with the most shocking incidence of unemployment of any segment of American society. We are here today to urge upon this subcommittee and the Senate the passage of S. 427 with a meaningful set-side of local public works funds for Indian tribes and Alaska Native organizations.

By every known calculation of the problem, unemployment among American Indians runs four to eight times the national average depending on the variables of region, tribe, and reservation. BIA's most recent preliminary estimates of unemployment for residents on reservation or trust land in 1976 reveal a national average of 40 percent unemployment out of a potential labor force of approximately 234,000. Even this figure may be misleading. The range by BIA area runs from a low of 15 percent in the Muskogee area of eastern Oklahoma to a high of 51 percent in western Oklahoma's Anadarko area. The only other of the 12 BIA areas with less than 40 percent unemployment is Albuquerque which has 35 percent figure.

Among certain tribes the statistics are even more dismal with many tribes showing unemployment percentages in the sixties and even low seventies. Variation by State is marked. Indians in Michigan are afflicted with 62-percent unemployment. The most heavily Indian populated States of Arizona, New Mexico, Oklahoma, South Dakota, Washington and Montana show an unemployment range from 24 percent in Oklahoma to 48 percent in South Dakota.

Such estimates, unfortunately, do not present the whole picture. Many Indians are underemployed. NTCA estimates based on BIA preliminary data that 59 percent of those who are employed earn less than $5,000 per year. Indian average per capita income in recent years has been far lower than the national average. Based on the most recent census data the number of Indians living on incomes below the poverty level generally has run three times the national average.

If the purpose of the legislation under consideration is to provide immediate, meaningful employment in those areas where it is most needed, then a substantial portion of such Federal assistance must be directed to Indian tribes and reservation people. We are convinced that the only sure means of accomplishing this purpose is through the set-aside provisions of the bill now before this subcommittee. S. 427 provides for an allocation or set-aside of 2.5 percent of the appropriation for funding of projects requested by Indian tribes or Alaska Native organizations. This is a necessary measure if the real needs of our people are to be met.

Senator Randolph, in introducing this bill, noted that only 8 percent of the applications received by EDA in the first round of the public works program were funded. On the basis of the first round, we expect competition for LPW funds from the large municipalities will be intense. Indian tribes cannot effectively compete for funding with the expertise or the sheer weight of the statistical presentations of the big cities. But proportionately our needs are undeniable and urgent, and if tribes as a whole are to be successful in their efforts to obtain project funding the set-aside represents an essential guarantee of equity and funding sufficiency.

Certain clarifications of the set-aside should be made, however, to assure that those people with the greatest need in fact receive a just proportion of the assistance. For this reason the set-aside should be accomplished at the national level rather than by allocation on a regional or State basis relative to population. The best, most effective projects should be funded without the interference of geographic allocation requirements. Moreover, we see only inefficiency and infringement of tribal processes if Indian tribal governments are forced to involve themselves in the State decisionmaking process or if tribes are subjected unnecessarily to State regulation.

The level of the set-aside specified in the bill, 2.5 percent, should prove appropriate. We have no reason to believe it will result in a surplus and we steadfastly oppose any reduction as being unresponsive to the seriousness of the Indian employment problem.

In general, we would like to commend the EDA for an admirable job in allocating the first round projects. The guidelines and formulae used allowed Indian tribes as well as small municipalities to compete equally with the larger cities—a stipulation which has not always occurred in the past but which is most welcome. Use of less strict requirements for unemployment data facilitates this.

In answer to specific questions posed by Senator Randolph, NTCA believes that project areas should be defined to assure that projects are funded in the areas of the most severe unemployment, but this need not be a rigid requirement. With regard to the funding of Indian projects from the set-aside, we regard the incidence of unemployment as severe generally throughout Indian country, and competition among tribes for funding should not be structured solely upon the criterion of unemployment severity. The magnitude of a particular unemployment situation should be one factor considered among others in the allocation of funds.

With regard to the new funding rounds we strongly endorse a principle of according preference to development of projects of long-term benefit to the community. We would not like to see introduction of a local matching revenue requirement, and we support the provision of S. 427 aplicable to the third round of funding for an 80 percent Federal share with reduction or waiver of the non-Federal share for Indian tribes and applicants whose taxing or borrowing capacity has been exhausted. The potential for exemption of Indian tribes from sharing in the cost of such projects is essential given the financial position of most tribal governments.

Title II of the bill, providing for funding of youth employment projects, represents an important legislative initiative and we support its passage as a much needed response to a national and tribal problem of as yet uncalculated significance. Perhaps more than most communities Indian tribes recognize that their survival depends upon the commitment of their young people to their common goals and well-being.

The tribes need to prepare their youth to assume future leadership roles; there is a pressing need to train young Indian professionals and technicians to protect tribal resources and develop reservation economies. NTCA has accorded such concerns a high priority as a topic of special study during the last year.

But tribal purposes are frustrated when its youth cannot find work, when existing training programs do not result in meaningful employment. NTCA thus urges passage of the Youth Community Improvement Act of 1977, not as a make-work program, but as a significant aspect of tribal development.

Thank you.

Senator Burdick. Thank you for your contribution.

Mr. Trimble of the National Council of American Indians.

Thank you, sir.

STATEMENT OF CHARLES TRIMBLE, EXECUTIVE DIRECTOR, NATIONAL CONGRESS OF AMERICAN INDIANS

Mr. Trimble. Mr. Chairman, my name is Charles Trimble, executive director of the National Congress of American Indians. On behalf of the Indian tribes that comprise the membership of NCAI, I express appreciation for the opportunity to appear before you to testify regarding S. 427, the Public Works Employment Act of 1977.

I believe we can easily see the great impact of unemployment on

Indian people, Indian tribes. The statistics from computer printouts on which funding allocations are made in the implementation of the act of 1976 show tribal unemployment ranging from a low of 7.3 percent to a high on the Omaha reservation of 83.7 percent. The average of only those tribes that received assistance through the act of 1976 is 36.5 percent, and that does not reflect the true picture of all tribes including those that are not listed on the EDA computers. Only 73 of the more than 270 federally recognized tribes receive any assistance from the act of 1976 at all.

Mr. Richard Schifter, a partner in the law firm of Fried, Frank, Harris, Shriver and Kampelman, and counsel to many tribes through the years, perhaps best states the reasons for and the effects of unemployment on the Indian reservations. I quote from his guest editorial in the Washington Post soon after the destruction of the Bureau of Indian Affairs during the Trail of Broken Treaties march on Washington, D.C.:

> The single most important problem of the Indian Country is unemployment, all pervading, debilitating, chronic large scale unemployment. At the depth of the great depression, when our country's condition was felt to be truly desperate, the rate of male unemployment reached 25 percent. In the Indian County, by comparison, we experience today an average unemployment rate of approximately 40 percent.

That article was written in better times, 4 years ago, and the situation has not significantly improved.

In another article for the California Western Law Review, Schifter traces the tragic history of reservation development and vividly points up the effects of inconsistent national policy toward Indian tribes. In that article, he says, "To those who observe today's conditions on Indian reservations, the tragedy is not the lack of answers to the problems of Indian poverty, but rather the timidity in applying answers already discovered."

Mr. Chairman, I would like to ask that the article by Mr. Schifter be included in the record of this hearing.

Senator Burdick. Without objection, so ordered.

[The aritcle referred to appears at p. 269.]

Mr. Trimble. Mr. Charles Schultz, past chairman of the Council of Economic Advisors, pointed out the fact that there are many pockets of chronic unemployment that are unaffected by any measures to stimulate the economy such tax cuts and rebates. Dominant among those pockets are Indian reservations. For those who suspect that statistics on Indian reservations are inaccurate and probably inflated, we respond that the figures are indeed somewhat inaccurate, but that the real figures of unemployment are considerably higher. Many Indian people who have lived so long with no hope of employment do not bother to even register any more.

But national policy toward Indian tribes reflects a promising trend in Congress. As Senator Henry M. Jackson testified before the Rules Committee regarding the reorganization of the Senater committee system.

> The special trustee relationship which the United States has with Indian tribes is unique and the practical problems facing Indian people on reservations is unique as well . . . Our expressed national policy is to assist the Indian people, through the trustee relationship, to achieve a level of prosperity commensurate with the other sectors of American society. It is our policy to enable the Indian tribes to achieve those goals as communities and with self-determination as to cultural, social, and economic choices which must be made.

The initiatives of the 93d and 94th Congresses, the Indian Finance Act, the Indian Self-Determination Act, the Indian Health Care Improvement Act, and many others, are all significant parts of the whole solution. The Public Works Act is crucial to the success of those initiatives, and we strongly support S. 427.

The intent of sections 102(c) and 103(c) for specific set-asides for Indian tribes is commendable and consistent with national policy of recognizing the unique status of Indian tribes and the unique problems faced by them. However, we ask that you consider increasing the amount of the set aside to 5 percent of the funds appropriated under these sections in light of the extreme critical nature of Indian unemployment.

We also request that, due to the unique relationship between the tribes and the Federal Government that sets tribes apart from States and other forms of local government, the authority and responsibility of decisionmaking for funding the tribal public works projects be removed from the regional offices of EDA and vested in the national Indian office of EDA. The unique situations of Indian tribes is seldom understood by the regional offices, and equitable distribution of moneys to tribes is seldom achieved.

We also recommend that the Congress mandate an effective consultation by EDA with Indian leadership within a specified period of time following enactment of this bill for reform of the process of implementation of the act. This will certainly help EDA in the most effective implementation and will help the tribes make the best use of these moneys as well.

It is my understanding that the group on whose behalf we were going to testify will be allowed to testify this afternoon. So I will just conclude my statement at this time.

Senator BURDICK. Thank you all for your testimony this morning. I just have a few questions.

You are referring to Randy Scott of the United Indians of All Tribes?

Mr. TRIMBLE. Yes, sir.

STATEMENT OF RANDY SCOTT, UNITED INDIANS OF ALL TRIBES FOUNDATION

Mr. SCOTT. Mr. Chairman, good afternoon. My name is Randy Scott. I am here representing the United Indians of All Tribes Foundation, Seattle, Wash. I would like to speak to you about the needs of urban Indians in relation to the Public Works Employment Act.

The United Indians of All Tribes Foundation is a public, nonprofit corporation formed in 1970. The major purpose of the Foundation is to plan, develop, construct, operate and maintain a National Indian Cultural Educational Center on 20 acres of surplused military land at Discovery Park, formerly Fort Lawton, Seattle. The United Indians is governed by a board of directors composed of urban Indian and reservation leaders.

At the present time, the United Indians have completed construction on the first of six buildings scheduled to be constructed on the 20-acre site. This facility, the Daybreak Star Arts Center, will house our National Indian Communications Center, Indian and Alaska Native arts programs including artists in residence, and arts wholesale/retail outlet, and Indian education programs which consist with adult basic education—consumer education; curriculum development which deals with developing curriculum for public schools, Indian organizations and tribes; and technical assistance which works with title IV Indian education program in Washington, Oregon, and Idaho.

Some of $312 thousand of the $1.5 million construction budget was provided by the Economic Development Administration under their public works improvement program funds and the balance of the funds came from the city of Seattle and private funding sources. In addition, approximately $425 thousand worth of outdoor landscaping and improvements are currently underway and are expected to be completed in June 1977. Funds are currently being sought for the other buildings on the site which includes a theatre, library-archives-museum, a longhouse, a Native American restaurant and an indoor multipurpose arena.

As you may know, urban and off-reservation Indians total about 500,000 persons, or approximately one-half of the total Indian and Alaska Native population. Native Americans left reservations and/or Alaska Native villages and migrated to urban areas ostensibly to better their education and increase their employment opportunities. The result of that movement is an off-reservation average educational level of grade eight, and an average urban Indian unemployment rate ranging from 11 percent to nearly 80 percent with an average of 36 percent.

This city investigation was recently conducted by the American Indian Policy Review Commission and is included in the final report to Congress.

Indians and Alaska Natives do continue to move back and forth between reservations or villages and our urban areas, so that construction of facilities both on a reservation, or in an urban area, would tend to be of benefit to the native American wherever he may reside.

There seems to be no question that according to unemployment averages, urban Indians should benefit from the funds to be generated by the Public Works Employment Act of 1977.

United Indians application to EDA was sponsored by the City of Seattle because we have a 99-year renewable lease agreement with the city on the 20-acre site in Discovery Park, and because we are an Indian organization that is not a tribe or local government.

The United Indians was an unsuccessful applicant using the city of Seattle as the agency sponsoring the 1976 local public works application. Based on some of the experiences that occurred during the 1970 application and review process, we would like to make the following recommendations for the 1977 Public Works Employment Act:

(1) A formula should be developed which will insure that a significant amount of the public works money to be appropriated will go to urban areas.

(2) When a new act is legislated and an appropriation made, all projects not funded under the 1976 act should be eligible for reapplication.

We know of similar projects within the city of Seattle where corrections have been made in their applications which we feel should make them eligible again for application.

(3) Based on what has been said earlier in this testimony, we fully support those groups such as the National Congress of American Indians, the United Indian Planners Association, and the National Tribal Chairman's Association calling for a national set-aside of 5 percent of the 1977 appropriation for use by Indian tribes and organizations. We wish to point out that any funds coming to urban Indian projects should not necessarily come from that 5-percent set-aside.

(4) Projects should not be subject to local controversies or consideration of a political nature, but rather should be renewed solely on the basis of the criteria to be set out in guidelines and rules and regulations.

Perhaps you are more aware than I of projects aware of funding but denied because of what I have mentioned.

(5) Where available, special statistics which can be documented, such as urban Indian employment data, should be used to supplement other information in the proposal necessary for making a determination and in fact the applicant should be awarded extra points in the application.

(6) At the discretion of the Secretary, "construction start-up time" should be waived for a designated period of time in order to let otherwise qualifiable projects receive funding consideration.

(7) Some provisions should be made in future legislation to permit those public or private nonprofit groups who serve in the public interest, or perform a public service, to apply directly for funding.

We feel in 1977 the public nonprofit groups that are serving in the public interest should be eligible for direct funding. I mentioned earlier our recent experiences under LPW when we initiated these suggestions. If you care to be made aware of some of the specifics, I will try to answer any of the questions.

I would like to point out, attached to our statement is some background information. Thank you for allowing me to testify.

[The information referred to follows:]

I would like at this point to briefly discuss the need to fund urban Indian or off reservation projects. A good example of such a project is the proposed "People Lodge", a Multi purpose educational and recreational facility planned by the United Indians of All Tribes Foundation of Seattle as a part of the National Indian Cultural and Educational Center that they are presently developing.

Construction of facilities on off reservation areas where Indians or Alaska Natives reside is an important aspect to consider. It should be noted that approximately half, or 500,000 Native Americans live in urban areas. Of this group, nearly 36% are unemployed. These individuals and families migrated to the cities to seek employment and educational opportunity. As you can see by the unemployment data (culled from a recent questionnaire prepared by the Urban Task Force of the American Indian Policy Review Commission) that the hope of gainful employment did not materialize.

Indians continually migrate back and forth between cities and reservations or villages, and the creation of employment through the construction of facilities will help all Indian people no matter where they choose to reside. It is apparent that the employment programs designed to help the general population is somehow not reaching the urban and off reservation Indian.

I therefore want to urge the Committee to enact legislation which will take these unique set of circumstances into consideration.

Senator Burdick. Thank you.

I am going to ask some questions here. Anyone who wants to volunteer the answers can speak up.

Indian people did very well in the competition for title X funds in 1975. Did your organization evaluate the results of these projects? Can you tell me how the money was used and what happened to it?

Mr. EBONA. You are talking about the title X?

Senator BURDICK. About $500 million.

Mr. EBONA. I don't recall seeing any listing myself as far as what projects were funded and where the money went for the Indian portion of that title.

Chuck, did you?

Mr. TRIMBLE. No, sir, I haven't seen any evaluation of that. I know it is in widespread use and combined with other program efforts, such as the Indian Action Team projects. Apparently, successful use has been made of it. But I have never seen any evaluation of it.

Senator BURDICK. One of you testified that Indian funds should be decided on a regional basis. What kind of a region do you have in mind?

Mr. EBONA. I don't recall anyone saying funds should be allocated on a region-by-region basis. We mentioned national basis. If I remember correctly, NCIA United Indians of All Tribes and United Indian Planners recommended that funds be allocated on a national basis.

Mr. TRIMBLE. What I said in my testimony, I said that we also request that due to the unique relationship between the tribes and the Federal Government that sets tribes apart from States and other forms of local government, authority and responsibility of decisionmaking for funding the tribal public works project be removed from the regional offices of EDA and vested in the national Indian office of EDA.

Senator BURDICK. That clarifies that.

Mr. GREER.[1] If I may, the question was raised if you have a set-aside and the administration of the set-aside, would you administer all the Indian communities from the national perspective?

Mr. EBONA. No; the normal processing of the application should be carried out by the regional offices. But the decisionmaking authority ought to be with the Special Assistant for Indian Affairs here in Washington.

Senator BURDICK. You mean each Indian affairs regional office?

Mr. EBONA. Each EDA regional office would do the normal processing of the application.

Senator BURDICK. Urban Indians are mentioned by several of you. Since the Indian communities in the cities are not incorporated, how would they apply?

Mr. SCOTT. I am the only one here that has to deal with that. United Indians was sponsored by the city of Seattle. Through the parks department within that city, our application was submitted to EDA. We think that is really the only process we go through as being sponsored by a local government.

Senator BURDICK. The membership would be rather fluid. You just testified they move back and forth from cities to reservations. Would you ever have a specific group at any one time?

Mr. SCOTT. Sure.

Mr. EBONA. Most urban cities around the country have what is known as urban Indian centers or other organizations that provide either education or social services to the Indians residing in the city. Most cities like Chicago, Seattle, Los Angeles, have a lot of what is known as urban Indian organizations. These organizations for the most part are incorporated; they are private organizations with boards of directors.

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[1] Richard Greer, professional staff member, Senate Committee on Environment and Public Works.

Mr. SCOTT. Correction. The organizations are public nonprofit corporations, most of them.

Senator BURDICK. But you are suggesting they apply through the municipality?

Mr. SCOTT. What I would like to suggest, my last suggestion was these organizations that are performing social service programs or social programs that are of benefit to the whole community should be eligible for direct funding and not have to go like we did through a local government.

Senator BURDICK. Senator Randolph?

Senator RANDOLPH. I have no questions. I am certain that you have worked with the witnesses in a constructive way and have given them an opportunity to explain their thinking. It will certainly be taken into consideration by all members of the committee.

Senator BURDICK. We thank you.

Senator RANDOLPH. The Honorable Betty Gill, would you and your associates come to the table. I am sure that those of you who are guests would understand if I said, "Good afternoon, Betty," because I have known Betty Gill for some 30 years perhaps. We are from the same State of West Virginia. Frankly, and we will strike this from the record if it is necessary—if not, we will leave it a part of the record—we are both Democrats. But she doesn't appear here as a Democrat today. Betty Gill appears in her capacity representing the Association of Counties. That is the National Association, not the West Virginia Association of Counties. Betty Gill is the president of the Marion County Commission. We have called them one name or another in West Virginia in past years. We used to call them the county court and now it is the county commission. The commissioners, of course, serve, and are elected by the citizens of the county in question.

Betty, we are very happy that you are here today, not only in your capacity as a public official in your home county and as a part of the Association structure giving this testimony with your associates, but for your presence.

Before you begin to speak I would want the record to indicate that earlier today I did not have the opportunity to present her personally, but Jae Spears was in the audience. She is one of the members of the West Virginia House of Delegates from Randolph County, which is the county in which I live. For the record, it must be a day pleasing to women. Our other member of the House of Delegates from Randolph County is Julia Pittsenberger. Betty, you know both of these women. They are very able legislators.

Just for the record, to keep it straight, Jae was accompanied by her husband, Col. Lawrence Spears. So now, Betty, I have talked not to make this seem provincial but to indicate that I know your record. I know your constructive effort on behalf of the citizens of your county. I know, also, of your expertise and your capability to speak for the organization you represent. So, if you would begin.

STATEMENT OF BETTY GILL, PRESIDENT, MARION COUNTY COMMISSION, WEST VIRGINIA, ACCOMPANIED BY ARTHUR SYPEK, COUNTY EXECUTIVE, NATIONAL ASSOCIATION OF COUNTIES, MERCER COUNTY, N.J., AND ELLIOTT ALMAN, LEGISLATIVE REPRESENTATIVE

Ms. GILL. Thank you, Senator Randolph. Your words are very kind and I do appreciate them.

To you as the chairman and the distinguished members of the Senate Subcommittee on Economic Development, we are most pleased for this opportunity to testify before you today on title I of the Public Works Employment Act of 1976 and S. 427 to increase the authorization for the public works program. We are testifying on behalf of the National Association of Counties.

The Senator has graciously introduced me as the president of the Marion County Commission. Testifying with me is Arthur Sypek, county executive, Mercer County, N.J. The statement of Mr. Sypek will be incorporated into our statement and submitted for the record.

Accompanying us is Elliott Alman, legislative representative for the National Association of Counties.

I would like to thank your subcommittee for holding these important hearings to review the local public works act and to consider prompt reauthorization of the program.

Mr. Chairman, the National Association of Counties strongly supports the concept of a Federal public works program to alleviate unemployment and aid in local governments. As representatives of the 3,101 counties in this Nation, we urge prompt action on a new public works authorization.

However, we are greatly disturbed over the level of grants awarded to counties under the Public Works Act of 1976. Nationwide, only 191 counties received grants totaling $235 million.

Unemployment has affected our counties directly. The county level of government often bears chief responsibility for the provision and administration of just those services required by the jobless-welfare, food stamps, et cetera. Moreover, the economic situation has required postponing necessary and important public works projects because we cannot afford to do them ourselves.

The intent of the Public Works Act of 1976 was to provide assistance to areas of greatest need. Unemployment, need for public works and sheer numbers, all indicate counties should have received more grants.

A survey of counties over 50,000 experiencing unemployment rates exceeding 9 percent shows that out of 143 counties, only 25 received grants. By all indications, these counties were the type of jurisdiction that should have received assistance. Each had an unemployment level at least 1½ points above the national average.

Marion County, W. Va., did not receive any grant. In fact, out of 55 counties in the entire State, only 8 received grants. Yet our average monthly unemployment rate is over 40,000, a burden on a State the size of West Virginia.

Mr. Chairman, out of 53 counties in the State of North Dakota, not 1 received a public works grant. In the entire State of New Jersey, only one county received a grant. Yet their statewide unemployment exceeds 9.5 percent and 12 of their 21 counties are experiencing unemployment rates over 9 percent.

This experience is reflected nationwide, urban and rural. Large urban counties such as Hudson County, N.J. (12 percent), Oneida County, N.Y. (10.6 percent), Wayne County, Mich. (10.6 percent), and King County, Wash. (8.6 percent) received no grants. Rural Cumberland County, N.J. (10.8 percent), Polk County, Fla. (10 percent) and Butte County, Calif. (13.45 percent) also were unsuccessful applicants.

I would now like to discuss a number of issues that impacted upon the county experience. The intent of legislation was primarily to assist local governments. The original regulations drafted by the Economic Development Administration (EDA), provided a 5-percent bonus to general purpose local governments. However, the regulations were subsequently amended to give special districts that same 5-percent bonus. The competition for grants was so intense that EDA calculated secores to 9 decimal places. The 5-percent bonus was a crucial factor, and school districts were particularly benefited.

Nationwide, schools received 268 grants for $372 million—more than the county total. In California, approximately one-third of the funds went to schools.

Counties are multifunctional units of government providing essential services. As such, the benefits of county public works projects can be expected to be far broader than that of special district projects.

If I may deviate just a moment, in my home county, out of every dollar, 75 cents goes to the school board, 11 cents to the municipalities and 14 cents is left for the county to run those mandatory offices under our Constitution, plus all the other businesses, projects that affect and are vitally needed such as volunteer fire departments, rescue squads, watersheds, public and mental health services. All of that must come out of this 14 cents.

The Community Development Steering Committee of the National Association of Counties formulates our policy on specific issues of economic development. The steering committee will be meeting on Friday, February 4, to establish our policy on this and a number of other key issues. We request permission to submit these positions as an addendum to our testimony early next week.

We are concerned with the designation of project selection areas. The current program permits extensive gerrymandering in applications. A community may define its project area as smaller or larger than its actual jurisdiction in order to achieve the highest unemployment rate.

As a result, many small communities and special districts used countywide data and received grants. Moreover, it appears that certification procedures of unemployment associated with project areas were variable and inconsistent.

The 1976 act prescribed that 70 percent of the funds go to areas with unemployment above the national average, and 30 percent go to areas with unemployment between 6.5 percent and the national average. As a result, communities within the 30-percent range experienced decreased competition for a guaranteed pool of money. An artificially low number of applicants were, in effect, guaranteed almost one-third of the entire $2 billion appropriation.

The State of New Jersey presents a vivid example of the inequities resulting from the division of funds. Of 1,041 applications, 948 were in the 70-percent category. Thirty-two applications, 3.4 percent, were funded. Of 93 applications in the 30-percent category, 25, 25.5 percent, were funded. Because the 30-percent category greatly limited the number of applicants, communities had a much greater chance of being funded. A community in the 30-percent category in New Jersey had a 1 in 4 chance of funding, while a community in the 70-percent category had approximately a 1 in 30 chance to be funded.

Moreover, there existed a middle range of communities, with unemployment from 7.7 percent to 11.3 percent, who received no grants. The 70-percent pool of funds was exhausted before their applications could be considered. EDA was then required to award grants from the 30-percent pool of applications with lower unemployment. We fully appreciate the needs of communities with lower unemployment, but feel their needs should be met in a more equitable fashion.

We also urge any future reauthorization to include a mechanism for prioritizing applications. Local governments should be afforded the opportunity to assign levels of priority when submitting more than one application. This could be accomplished by simply providing an appropriate space on the application.

Many counties experienced problems securing current unemployment data from the Department of Labor/Bureau of Labor Statistics. This data was often 3 to 4 months old, not seasonally adjusted, and based on CETA defined areas.

On Tuesday, prior to my coming here, I went to my employment office to secure the latest information for West Virginia. I picked up from them information which I would like to submit to the chairman as a part of this file. But in many counties in my State of West Virginia, Senator, as you well know, I would imagine over 40 out of the 55, are under the 50,000 bracket. I am looking over the figures. In November of 1976, I see a high point county here of unemployment of 18.2 percent.

Senator Randolph. What county is that?

Ms. Gill. Braxton.

Senator Randolph. That is in the central part of our State, Senator Burdick. It is somewhat a rural area, some mining in it.

Ms. Gill. I was counting on the report from November. Out of those 40 counties, there are some combined with other counties. For example Doddridge and Harrison counties are combined into one CETA area.

Senator Randolph. What is Tucker County?

Ms. Gill. Tucker County is 15.4. We have areas like Taylor, 13.7. That is right next door to my home county.

Senator Randolph. That is right. That was a former railroad area and mining section.

Ms. Gill. Webster County is 22.8. That was in November of 1976.

I might also tell you due to the energy crisis, I was also told our unemployment, Senator, and I cannot really complain too much about Marion County, it had 5.4 percent unemployed in November. That was 1,270 people. But I was told on Tuesday that the unemployment now is over 3,000. This has all transpired in the last couple or 3 weeks. They now have set up on a statewide basis an emergency program through the employment office because they believe this is going to be very severe, and they anticipate that we may have five times in Marion County the number of unemployed before this is over with. The Welfare Department on Wednesday, yesterday morning, in our newspaper, because of the extreme number of applicants for food stamps, has had to move to our National Guard Armory in order to accommodate the people that are already unemployed.

[The unemployment information referred to by Ms. Gill follows:]

LABOR FORCE STATISTICS IN WEST VIRGINIA LABOR AREAS, NOVEMBER 1976

	Civilian labor force	Employment	Unemployment	Unemployment as percent of civilian labor force
Total, State of West Virginia	669,000	628,400	40,600	6.1
Charleston: Kanawha and Putnam Counties	111,300	106,700	4,600	4.1
Huntington-Ashland-Ironton: Cabell and Wayne Counties, W. Va.; Boyd and Greenup Counties, Ky.; Lawrence County, Ohio	111,100	104,600	6,500	5.8
Parkersburg-Marietta: Wood and Wirt Counties, W. Va.; Washington County, Ohio	61,000	57,400	3,600	5.9
Wheeling-Bridgeport: Ohio and Marshall Counties, W. Va.; Belmont County, Ohio	75,500	70,500	5,000	6.7
Steubenville-Weirton: Jefferson County, Ohio; Brooke and Hancock Counties, W. Va	66,400	63,600	2,800	4.2
Beckley: Raleigh County	28,650	27,440	1,200	4.2
Bluefield: Mercer County	24,930	23,600	1,330	5.3
Clarksburg: Doddridge and Harrison Counties	32,610	30,380	2,230	6.8
Fairmont: Marion County	23,900	22,640	1,270	5.3
Logan-Madison: Logan and Boone Counties	26,320	24,700	1,620	6.2
Martinsburg: Berkeley and Jefferson Counties	27,750	25,430	2,320	8.4
Montgomery-Oak Hill: Fayette County	15,030	14,030	1,000	6.6
Morgantown: Monongalia County	27,250	26,500	750	2.7
Ronceverte-White Sulphur Springs: Greenbrier and Monroe Counties	19,620	18,040	1,590	8.1
Welch: McDowell County	14,190	13,360	820	5.8
Barbour	6,720	6,220	500	7.5
Braxton	2,960	2,420	540	18.2
Calhoun	2,060	1,820	240	11.5
Clay	2,390	2,090	300	12.6
Gilmer	2,420	2,280	130	5.5
Grant	4,090	3,670	410	10.1
Hampshire	5,160	4,950	220	4.2
Hardy	3,850	3,520	330	8.7
Jackson	7,880	7,260	620	7.9
Lewis	6,340	5,710	640	10.0
Lincoln	5,570	4,880	700	12.5
Mason	8,680	8,080	590	6.8
Mineral	8,530	8,180	350	4.1
Mingo	9,220	8,600	620	6.7
Morgan	3,580	3,380	190	5.4
Nicholas	8,840	8,180	670	7.5
Pendleton	2,850	2,690	170	5.8
Pleasants	3,910	3,760	150	3.7
Pocahontas	3,620	3,360	260	7.2
Preston	10,270	9,350	930	9.0
Randolph	11,090	9,940	1,140	10.3
Ritchie	3,160	2,750	420	13.1
Roane	4,600	4,250	350	7.7
Summers	4,610	4,200	400	8.8
Taylor	5,900	5,100	810	13.7
Tucker	3,260	2,750	500	15.4
Tyler	3,600	3,400	200	5.5
Upshur	9,450	8,700	760	8.0
Webster	2,850	2,200	650	22.8
Wetzel	7,040	6,550	490	7.0
Wyoming	9,670	9,340	330	3.5

Note: Data may not add due to rounding.

Ms. GILL. While I am on it right here, one of our crises as bad as our energy crisis is our water problem. It is all over the county. It is so severe many people have been without water for a month. The public service districts are comprised of appointed citizens of the area that are nonpaid. They do not have the money to hire help. Here is an area that maybe the Federal Government, through a crash public works of some nature, can allow us some more CETA personnel that we can assign to these areas because the water situation is very critical in my county. We believe the Economic Development Administration should seriously consider utilizing annual unemployment data for 1976 by jursidiction. This would place applicants on a more equal footing while negating seasonal factors.

Local ceilings, or benchmarks, were employed by EDA to attain a geographic distribution of awards. Projects of one jurisdiction, however, often reached an area's benchmark, thus precluding awards to other communities.

EDA awarded grants automatically to the applications with project cost closest to the benchmark. At times, less expensive projects were by-passed for more expensive ones nearer to the benchmark. In one example, the third ranking project in an area was awarded a grant of approximately $700,000, while two higher ranking proposals, totaling $560,000, were rejected.

Future allocations should commence with those communities excluded from participation because projects of another jurisdiction reached an area's benchmark. To facilitate this, a close analysis should be given to the effects of freezing applications and only making awards to those received prior to the December deadline. If adopted, communities should be permitted to make adjustments based on new data. The Community Development Steering Committee of the National Association of Counties will be formally considering this option on Friday.

Reauthorization should contain language mandating that project sign-offs by Federal agencies occur within 30 days, with presumption of acceptance. Moreover, review by those agencies should be restricted solely to the project applied for.

Many counties experienced delays and inquiries into areas not directly affected by the project grant. In particular, the Law Enforcement Assistance Administration (LEAA) review caused many time-consuming delays. One rural county official traveled to the LEAA National Clearinghouse in Champaign, Ill., twice and to the Philadelphia regional office of LEAA once in order to attain the agency's sign-off.

Moreover, the county was required to defend its entire police training program. It applied to expand and renovate its courthouse, which included demolition of an antiquated jail and construction of a new one.

Federal agencies should also be required to permit supplemental public works grants with less than full funded programs. Farmers Home Administration (FHA), for example, provided up to 50-percent funding for its water and wastewater disposal grants. It should be required to permit use of public works grants to attain 100-percent funding of projects. This would guarantee the important leveraging benefit of the funding, while treating all applicants equally.

The Economic Development Administration employed the use of a mathematical formula to equalize funding opportunities for large and small jurisdictions. It was designed to mitigate population and unemployment totals of larger jurisdictions. However, when combined with the severity of unemployment factors, it appears to have created a problem of its own. It almost completely nullified the relative numbers of unemployed and permitted small units of government and special districts to compete equally with counties experiencing greater numbers of unemployment.

I would also like to indicate that EDA deserves recognition for being able to comply with the strict time restrictions incorporated within the 1976 Local Public Works Act. Their staff was open and cooperative and was always available to respond to NACO inquiries.

I would now like to discuss the proposed title II youth community improvement program. We subscribe to the need for funding and employing the youth of our country. In response to this need NACO was the only public interest group to testify recently for increased funds for title I of the Comprehensive Employment and Training Act (CETA).

One of our concerns is the feeling of some that youth unemployment is a metropolitan problem. Statistics from a recent Labor Department study show that teenage population is distributed among urban, rural, and suburban areas. Listing by teenage population in millions, central city is 4.5; suburban is 6.5; rural, 5.2.

If I may deviate again, our teenagers want to work. Our summer youth program which we started that the Feleral Government had been funding for 4 years, we started 3 years ago, we were allocated 50 youngsters to the Marion County court.

Senator RANDOLPH. May I interrupt at this point because earlier today we were talking about the programs especially for the youth. There is a youth community improvement program in the bill. But there are two or three other proposals that have to deal with Youth Conservation Corps and other approaches. I listened very carefully as you said the teenagers in Marion County want to work. You are sure of that?

Ms. GILL. We had 50 slots 3 years ago. We increased the second year to 80 slots and still had youngsters that we couldn't put on. Last year they wanted us to take on 100 slots and we were unable under the Commission to handle that many with the supervision. But I might say this is just the number of youth under our Marion County court. There was any number, I don't know how many, to the school board, how many slots were allocated to the State Road Commission, to the Department of Natural Resources. So the total number of youth employed in Marion County I do not know. I can only speak how many our Marion County Commission handled in the last 3 years. We had no trouble filling those slots.

Senator RANDOLPH. But you do feel that the young people are anxious to work; is that correct?

Ms. GILL. I really do Senator. I will say one thing. This is just a personal observation. In a way I think our summer youth program is a little unfair in this respect: We have middle income class youngsters, their families, that cannot qualify for these summer programs. These youngsters want to go on to college. Their parents are helping to support the summer youth program, but their youngster cannot get a job. In a way I believe it is somewhat discriminatory on who can be eligible for the position.

I think NACo's position is that there is an existing CETA structure for the youth. We feel that probably here, and, of course, tomorrow the policy will be set, that it should be kept where it is at the present time, not under this bill.

In closing, I would like to repeat our strong concern with the low level of grants awarded to county governments. For all of the reasons already mentioned, counties should receive a higher degree of funding.

We urge you to promptly increase the authorization for these much needed public works grants, and to carefully consider the following issues: Provisions of bonus points to special districts; project selection area; 70 percent/30 percent division of funds; prioritizing of projects; local ceilings and benchmarks; future applications; unemployment data; Federal agency signoff and review of application; supplemental grants; mathematical factors.

Mr. Chairman, I would again like to thank the committee for giving us this opportunity to testify on the Public Works Employment Act of 1976 and S. 427, to increase its authorization. The National Association of Counties' staff stands ready to provide any assistance to the committee in enacting this legislation.

Mr. Chairman, you have requested specific answers to a number of key issues. I have addressed their impact on counties in my testimony. Tomorrow, the Community Development Policy Steering Committee of the National Association of Counties will be meeting to formulate specific policy positions on these important issues.

I would now like to turn to Mr. Arthur Sypek, County Executive of Mercer County, N.J.

Senator RANDOLPH. Before you comment, we are delighted to have the three persons representing your overall association present. The acting chairman of our Subcommittee on Economic Development, Senator Burdick of North Dakota, has been very diligent in following these hearings and being present practically all the time.

Off the record.

[Discussion off the record.]

Senator RANDOLPH. We are very conscious, Senator Burdick, and other members of our subcommittee and full committee, of the importance of the political subdivision that comes under the heading of counties. Counties, you know, are not a level of government that is an unnecessary layer. Sometimes we talk of layers of government and wonder if we don't have too many. But counties have a very different part in the political system in our subdivision of responsibility. I know that your testimony will be very carefully evaluated as it is being given to us to help in drafting, under the leadership of Senator Burdick, a measure which we can bring to the Senate. We hope for concurrence or possibly a conference with the House and then hope to bring a bill to the President's desk at a very early date.

I have certain questions, and I ask that perhaps the answers be given later. Commissioner Gill can answer these questions, or you, Quentin, might work them in with questions that you might have. But I am very grateful, Senator Burdick, that you allowed me in a sense to come and feel as if I, for a few moments, was presiding at this meeting. I do it because of my desire to welcome another West Virginian to the witness table, knowing that it is good to have people come down out of the mountains who are in the snow belt. Don't you think that all the snow is in some other part of the country. It is snowing in West Virginia today. It is snowing very, very hard in my home county.

Senator BURDICK. Will the Senator yield?

Senator RANDOLPH. Yes.

Senator BURDICK. Ironically, we would like to have some snow in those 53 counties that didn't get any grants. [Laughter.] At least we could have some snow.

Senator RANDOLPH. Yes; deep snow. Our three ski resorts report that they are having the best winter in their history. We are not here today to talk about skiing, except that it employs many people. People forget sometimes that tourism means to a State like North Dakota or West Virginia or other States.

I thank you personally and officially as, of course, the chairman of our subcommittee will do. And the questions that will come to you and your associates will further develop and add to your excellent testimony. Thank you.

Ms. GILL. Thank you, Senator.

Senator BURDICK. Mr. Sypek.

STATEMENT OF ARTHUR R. SYPEK, COUNTY EXECUTIVE, MERCER COUNTY, N.J.

Mr. SYPEK. May I make a statement before my presentation, that I wish to congratulate my colleague, Betty Gill, on the fine comments of the distinguished Senator Randolph on her fine service in her county. I witness a similar service by a lady Commissioner known as a freeholder in New Jersey, one who is the daughter of a distinguished Congresswoman Boggs, Mrs. Barbara Zigman, whose husband is a professor of Princeton University in my county, and Barbara Zigman, as I indicated, daughter of the late Congressman Boggs and the present Congresswoman Boggs, is on our board. She contributes tremendously to the service of Mercer County, representing the women of our county, and has, along with me, been very helpful in establishing a Commission on a status of women.

So Betty, I sincerely wish to congratulate you on the very fine comments which were made and very deservingly by the distinguished Senator Randolph from West Virginia.

Mr. Chairman, my name is Arthur R. Sypek. I am the County Executive of Mercer County, N.J. I have been a freeholder for 16 years. This is my second year. I am the first county executive of Mercer County. Along with Betty, we provide some 23 years of elected service in county government. We are very active in the activities of NACo. I will simply summarize some points. No point in repeating much of the testimony presented by Betty.

Only one county of 21 counties in the State of New Jersey received funding. Yet, New Jersey is one of the States of highest unemployment in the Nation. As a matter of fact, our unemployment compensation fund now is virtually bankrupt. We owe the Federal Government some $600 million. With the present unemployment because of the emergency, it is growing by leaps and bounds; and lines are virtually around-the-clock in the offices of unemployment compensation, which simply proves that the unemployment is a major factor in the most densely populated State in the Nation.

It is true that four of our municipalities did receive and were awarded grants, all within the 30 percent category. I would like to indicate to you with emphasis that one of our smallest municipalities, having below 5,000 population, received the largest grant of some $3 million, more than $1,000 per person. We in Mercer County have the capital city of Trenton, known historically as the crossroads of the American Revolution, celebrated last year. The city of Trenton as a central core city has a great minority, some 42 percent, and a great unemployment factor. Yet the city of Trenton, which is one of the 13 municipalities, was not recognized and did not receive an award or grant under the public works program of 1976.

I, as county executive, of course, am pleased that awards were made to the several municipalities in the county. Regarding the matter of categories of 70–30, I personally and I believe that the steering committee of NACo will consider the 85–15 percent recommended by the Senate bill and agree with the recommendation.

At this point, I would like to point out again with emphasis, as Betty indicated in her testimony, that throughout the Nation in the grants awarded the chances of receiving a grant in the 30-percent category was 1 to 4 and in the 70-percent category was 1 to 30. Regarding the matching funds in the programs, I wish to point out for the record that in order to qualify for a grant, a municipality or county or level of government in a special district must own land in fee, must provide expenses for architects and engineers; and on the question of matching funds which was recommended in the bill, some 20 percent, if I understand it correctly, I perhaps personally would agree to a matching of about 10 percent. I do not believe that it is a great burden because, sir, the bonding feature would be amortized at least over a period of 15 to 40 years.

Betty spoke of signoffs by other Federal units. This has been a problem. However, with very capable staffs we have found in Mercer County we were able to meet the deadlines and receive the signoffs many times under very trying conditions. In addition to that, one of our projects which was a volunteer fire school, a fire school for volunteer firemen, as well as paid firemen—we only have one paid unit in the city of Trenton—was threatened with a court suit which may have held up our application.

As far as the startup is concerned, this presents somewhat of a problem because not all projects and applications can be practically commenced within the 90-day period. I believe that consideration should be given to a staggered formula where some projects may commence later than the 90-day period.

For example, to add in addition to the courthouse which probably is a need throughout the Nation, there is no way specification and bidding and all the other requirements can be met anywhere near within the stipulated time. Perhaps the recommendation of having the $4 billion divided into 2-year appropriations may be an answer.

I agree along with NACo in the legislation providing employment for our youth. I can say that within Mercer County, three levels of government—the State, the capital is located in our county, the city of Trenton, our county, and 13 municipal governments—we must employ at least 500 youth, if not more. As a matter of fact, our concern for youth goes beyond just youth themselves, but the type of youth that need consideration.

In our second vocational school, we had provided 25 percent of the metriculated body to be in the handicapped area in order that they may not be a burden to society and receive instruction and be able to earn a living and not be a burden. Perhaps the handicapped may be considered in the bill.

We don't particularly oppose grants to schools or special districts. However, the bonus feature did become a vexatious problem. As indicated so well by Betty in her testimony, many special districts, much smaller unemployment, received tremendous amounts of grants. As indicated by Mayor Gibson this morning, when I thanked him for referring to the counties repeatedly in his testimony, many of the cities, including that of the city of Trenton, which have real problems, as we all know and all recognize, lose out because the bonus factor which was included subsequently in the legislation just had deferred the grants to special districts.

I particularly recommend participation of State governments in public works programs. In New Jersey in particular, the people have voted down bond issues, as they have voted them down all over the Nation. As a result, many of our State hospitals are no longer accredited.

Again, referring to Betty's testimony, 20 State hospitals not accredited and mandated by law, mental health patients, their nonaccreditation loses Federal funds. Then the real estate tax dollars come into play and it becomes a real burden on the taxpayer, particularly in New Jersey, where the real estate tax is the highest in the Nation.

The question of applications now on file should be seriously considered and perhaps given some priority to be given an opportunity to be updated, perhaps given a bonus and a priority factor. The question of tradesmen and construction workers versus the blue-collar workers versus projects where material factors are high should be considered and priorities should be considered in areas perhaps which may affect flood control.

Much is being said regarding floods now after these great snow storms we have been having and freezing of rivers and streams. We may have artificial barriers and dams against our bridges when the thaws come to play. But I am speaking perhaps of plans for flood controls which have been in the making for many, many years, as they have been in Mercer County and surrounding counties.

I would like to at this time introduce for the record a letter from the president of the Mercer County Building and Construction Trades Council. I have a copy for the reporter. It is signed by Donald J. Kennedy. In order to save time, may I read the pertinent paragraphs.

> As president of the Mercer County Building and Construction Trades Council, and also as business manager of the International Brotherhood of Electrical Workers, Local Union No. 269, I have watched the unemployment grow during the 1970's. The situation leads me to believe the country is in a recession and the construction worker is living through a severe depression. The published unemployment rates of between 8 and 11 percent is only a small part of the 20 to 80 percent of unemployment rate in the construction industry.
>
> I have the statistics that Mr. Kennedy provides.
>
> In the last 2 years I have observed the effect of unemployment. Young couples losing their homes, children being taken from private and parochial schools and placed in public schools, the break-up of marriages, husbands required to travel to find work leaving their families behind, the loss of hospital coverage and the delay of needed medical treatment for various members of their families until the family can be covered again, the expiration of unemployment benefits, proud, hard-working people applying for food stamps and welfare, finally loss of pride, ambition and human dignity. I have not enjoyed being an eyewitness to this nightmare situation unfolding in our community.

These problems, coupled with the problems that existed previously such as, multinational corporations exporting entire factories and many jobs to foreign nations, should and can be dealt with by the U.S. Congress.

They have tried tax rebates, they have tried income tax reductions, they have tried extended unemployment benefits, they have tried wage price controls, they have tried many other solutuions. The unemployment in the construction industry is so severe that a direct attack on construction unemployment is necessary. A larger public works program is the only sure answer.

With this, Mr. Kennedy, no relation to the Senator, indicated the percentage of unemployment: asbestos workers, 20 percent; bricklayers, 50 percent; carpenters, 60 percent; other carpenter locals, 75 percent; electrical workers, 48 percent; iron workers, 50 percent; laborers, 90 percent; other laborers, 55 percent; lathers, 85 percent; painters, 40 percent; plumbers, 33 percent; other plumbers, 33 percent; resilient floor layers, 43 percent; roofers, 10 percent; sheetmetal workers, 50 percent; operating engineers, 52½ percent.

[The letter referred to follows:]

BUILDING & CONSTRUCTION TRADES COUNCIL
MERCER COUNTY AND VICINITY

FRANK E. GONZALES
Financial Secretary-Treasurer
522 Perry Street
Trenton, N. J.
396-9201

D. J. KENNEDY
President
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Recording Secretary
670 Whitehead Rd. Ext.
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January 31, 1977

RECEIVED
JAN 31 1977
OFFICE OF THE COUNTY EXECUTIVE

Mr. Arthur R. Sypek, County Executive
Mercer County Administration Building
Post Office Box 1777
Trenton, New Jersey 08607

Dear Arthur:

In regards to your request for information on the unemployment as it pertains to the construction workers in Mercer County, I can paint for you a true but dreary picture.

As President of the Mercer County Building and Construction Trades Council, and also as Business Manager of the International Brotherhood of Electrical Workers, Local Union No. 269, I have watched the unemployment grow during the 1970's. The situation leads me to believe the country is in a recession and the construction worker is living through a severe depression. The published unemployment rates of between 8 and 11 percent is only a small part of the 20 to 80 percent of unemployment rate in the construction industry.

In the last two years I have observed the effect of unemployment. Young couples losing their homes, children being taken from private and parochial schools and placed in public schools, the break-up of marriages, husbands required to travel to find work leaving their families behind, the loss of hospital coverage and the delay of needed medical treatment for various members of their families until the family can be covered again, the expiration of unemployment benefits, proud, hard working people applying for food stamps and welfare, finally loss of pride, ambition and human dignity. I have not enjoyed being an eye witness to this nightmare situation unfolding in our community.

What are the causes of unemployment? High interest raises imposed by the federal government. The Nixon-Ford administration policy of holding back authorized federal funds for housing, water treatment plants and other necessary projects. The over reaction to the environmentalists and the no growth philosophers.

The failure of the voters in the state of New Jersey to approve any bond issues for the last several years. (I am sure this has been brought about by the lack of confidence in government from the bottom to the top.)

These problems, coupled with the problems that existed previously such as, multi-national corporations exporting entire factories and many jobs to foreign nations, should and can be dealt with by the United States Congress.

They have tried tax rebates, they have tried income tax reductions, they have tried extended unemployment benefits, they have tried wage and price controls, they have tried many other solutions. The unemployment in the construction industry is so severe that a direct attack on construction unemployment is necessary. A larger public works program is the only sure answer.

Our country has been concerned about inflation for several years. New Jersey and the construction workers have done more that their share to fight inflation. Now it is the responsibility of Congress to look at the unemployment figures gathered by organized labor and then to pass legislation that will put the working people back to work.

On Friday, January 28, 1977, I personally called the other construction locals in this area. Listed on the enclosed page is the results of this poll.

To high light the unemployment figures, listed below is the hours contributed to our (Local Union 269) hospital plan for the years 1972 through 1976.

1972	1,541,504	hours
1973	1,028,135	hours
1974	1,134,665	hours
1975	649,469	hours
1976	583,201	hours

If I can supply you with any additional information please do not hesitate to contact me.

Very truly yours,

Donald J. Kennedy

Donald J. Kennedy
President

DJK/s
encs

BUILDING & CONSTRUCTION TRADES COUNCIL

MERCER COUNTY AND VICINITY

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UNION	PERCENTAGE OF UNEMPLOYMENT
Asbestos Workers LU 89	20%
Bricklayers LU 6	50%
Carpenters LU 31	60%
Carpenters LU 781	75%
Electrical Workers LU 269	48%
Iron Workers LU 68	50%
Laborers LU 50	90%
Laborers LU 169	55%
Lathers LU 66	85%
Painters LU 10	40%
Plumbers LU 236	33%
Plumbers LU 380	33%
Resilient Floor Layers LU 2212	43%
Roofers LU 108	10%
Sheetmetal Workers LU 111	50%
Operating Engineers LU 825	52 1/2%

The above information acquired on January 28, 1977

Mr. Sypek. I would like to summarize and say it should be clear from the testimony by Ms. Gill and the remarks I have made that there exists some serious problems with regard to the distribution of public works grant monies. NACo advises its legitimate concerns with the level of assistance awarded to county governments and the criteria employed to select grant recipients.

The intent of the Public Works Employment Act was to provide public works projects to general purpose units of government and to create jobs in areas where high unemployment rates have caused great hardships. The present allocation of funds extends minimum levels of support to county governments while special districts enjoy a substantially larger share of assistance in absolute terms.

In addition, many heavily populated areas facing unemployment rates well above the national average have received no funds, as I indicated before. Yet sizeable grants have been awarded to communities experiencing much lower levels of unemployment.

The factors by which grant determinations were reached clearly, Mr. Chairman, violate the spirit of the act. Thank you.

Senator Burdick. Thank you for your contribution today. Senator Randolph left some questions for you, Ms. Gill. Here they are.

You mentioned the need for more rapid sign-offs by Federal agencies on the public works projects. I see how that will be very important when new applications are received for the second $2 billion of this new authorization. Is any further Federal agency sign-off necessary for the project applications already in hand?

Ms. Gill. Sir, this was given to me by NACo. I did not have any opportunity to discuss in detail. As I understand what has happened, the sign-offs were by, for example, law enforcement. Instead of getting sign-off in 30 days, it might have taken 60 to 90 days and held up the projects, if I am correct about that. In other words, the Federal agency, the project was ready to go except they didn't have the sign-off from such agencies that might be involved. They were the ones that held up several works programs from prompt implementation.

Senator Burdick. The point is those that are standing in the wings right now, is it necessary to have any sign-off on them?

Ms. Gill. No; not to my knowledge.

Senator Burdick. You point out the gerrymandering of project areas as a major problem with the first $2 billion. What do you suggest for the definition of a project area?

Ms. Gill. For example, as I understand it, and I was trying to determine from my own home county data. Senator, to be perfectly honest, two municipalities received grants. The data that they used from all indications may have been larger or smaller than the area that they encompassed. I think this possibly is what many areas did. They took additional areas that were not relative possibly to their areas because of the unemployment factor. In that way they were able to get the grants.

I think, if I understand you correctly, that there needs to be a little more oversight on going into other areas in order to qualify for a grant, taking in another area outside of their immediate locality, for example, maybe going over into another county, because that county had more unemployment. Do you follow what I mean, sir?

Senator BURDICK. Yes; but the question is, How would you define it in language, that project area?

Ms. GILL. By jurisdiction I would think. For example, if it was a municipality, their jurisdiction just encompass what their municipality calls for. It wouldn't encompass an area outside of that municipality, if they were the ones to apply for it.

Senator BURDICK. In other words, the city limits should be the boundaries?

Ms. GILL. I would think so.

Senator BURDICK. In small communities there is no unemployment data. You get to larger areas, such as a county, there is.

Mr. SYPEK. This is a very difficult question. People may reside in one community and work in another. Statistics are terribly distorted. Perhaps then some form of consolidated applications for cities, cities along with counties, and this kind of match might be a solution to this problem; because the way it has been gerrymandered now, there are statistics that were just borrowed from the county from adjoining municipalities and as a result a municipality was granted a grant of many millions of dollars.

This seemed rather unfair. But that has been an experiment. It has been a first time around. I think we are all here in order to address ourself to the question. I think this is a very critical question that was asked by Senator Randolph. It needs clarification and a concrete definition.

Senator BURDICK. We have been looking for a mechanism to establish local priorities among the needy projects. You suggest simply having local governments assign levels of priority when submitting more than one application. What do you think of using the A–95 review process for determining priorities among the needy projects submitted by different jurisdictions in the same area?

Mr. SYPEK. It would seem to me that the application, completion of an application and the statistics to support the application, basically would be the same for the projects submitted by an entity, be it a municipality, special district or a county. However, by the intensity of a particular project for a long-term effect on the economy, of course, it may have priorities for accepting it on a priority basis. This would perhaps be very difficult. Unless a definition is made of the types of projects that are submitted. I think that the backup material would basically be the same for all the applications submitted. It becomes an awful difficult choice again on the priority.

Mr. ALMAN. If I might add one comment to that, it is the opinion of the association that any prioritizing of putting one project in the higher priority than another should be done purely at the local level of the municipality or jurisdiction that has made that appliction and not then by a regional agency as per the A–95 process. With the A–95 process, I think that would also cause another delay in submitting the applications and getting all of these other municipalities in an area or region to comment on it.

Thank you.

Senator BURDICK. Thank you all.

Ms. GILL. Thank you, Senator.

Senator BURDICK. Our next witnesses will be Mr. Eugene Scanlon, State Senator, Pittsburgh, Penn., and chairman of the National Council of State Legislatures, Urban Development Committee; and Mr. James L. Martin, director of State/Local Relations, National Governors' Conference.

Senator BURDICK. Gentlemen, you may proceed in any order you wish.

STATEMENT OF EUGENE SCANLON, STATE SENATOR, PITTSBURGH, PA., CHAIRMAN, NATIONAL CONFERENCE OF STATE LEGISLATURES URBAN DEVELOPMENT COMMITTEE; AND JAMES L. MARTIN, DIRECTOR, STATE/LOCAL RELATIONS, NATIONAL GOVERNORS' CONFERENCE

Mr. SCANLON. My name is Eugene F. Scanlon. I am the State Senator from Pennsylvania. I serve as chairman of the Committee on Urban Affairs and Housing of the Pennsylvania Senate. I also am newly appointed chairman of the Urban Development Committee of the National Conference of State Legislatures. I am here testifying today on behalf of the National Conference of State Legislatures, as well as for the Pennsylvania Senate.

Mr. Chairman and members of the committee, I would like to thank you for this opportunity to present the State legislatures' perspective on the current round of local public works programs and on the proposed Public Works Employment Act of 1977. State legislators endorse the concept of distributing Federal funds to State and local governments for public works projects as part of a total national economic stimulus package. The additional $2 billion now and possible $2 billion during the next fiscal year, as requested in S. 427, can be justified quite easily in view of the $22 billion worth of projects which were not funded during the first round and other project applications which are ready to be submitted. Public works projects are often, by necessity, given second priority in a State or local budget when that budget is pressed by inflation and the demand for more services. This public works program is particularly beneficial in that the mechanism is already in place; new funds can easily be injected into the system.

However, as I have heard all day here today, we were not pleased with the distribution of funds during the first round and hope changes can be made to streamline and improve the allocation mechanism. First of all, State-sponsored applications received less than $42 million, or 2 percent of the $2 billion available in the program; many States with high unemployment rates received no funds for State-sponsored applications. Seventeen States had unemployment rates above the national average of 7.1 percent—but only eight States had State-sponsored applications funded.

My own State of Pennsylvania, with an unemployment rate of 7.8 percent in November, submitted 182 projects, worth $524 million, and had none funded. Pittsburgh, my hometown, the second largest city in the State, received no funds, and neither did the entire eight-county area surrounding Harrisburg and York. Of the 13 urban areas in the State, only 2 were funded—Philadelphia and Reading. Pennsylvania did not indicate those projects of greatest importance to the State. However, many States did rank their projects, but to no avail.

EDA just had no formal mechanism for evaluating these priorities—and States' efforts were unheeded.

At least four aspects of the current program are responsible for the States' poor showing in the public works program: (1) The 70–30 split, wihch has been discussed many times today; (2) the method for determining the applicant's unemployment rate; (3) the point preferences for local governments and special purpose districts; and (4) the absence of a mechanism for incorporating State priorities.

The law mandated that 70 percent of the allocation be spent in areas with unemployment rates above the national average, and 30 percent be spent in areas with rates above 6.5 percent but below the national average.

Along this same line, the 70–30 split caused many applicants with high unemployment rates to be overlooked in favor of jurisdictions in the 30-percent category. The severity of competition within this category dramatically emphasizes the need for more funds there. For example, in Pennsylvania, worthy projects in the 70-percent category were overlooked in favor of those projects in the 30-percent category. In addition, many applicants in the 30-percent category were suburban areas which were able to carve high unemployment areas from nearby cities and thus qualify for funds.

Related to the 70–30 split is the manner in which applicants' unemployment rates were determined. The unemployment figure used in the scoring system was based upon the applicant jurisdiction's unemployment rate and average personal income. If a State sponsored a project in a locality with a higher unemployment rate than the State, the State was required to use its own lower unemployment rate and its own higher average personal income figure. While this regulation was designed to prevent wealthy jurisdictions from using more favorable unemployment rates of a small project area, it had the unintended effect of penalizing State applications.

A third factor in the rating procedure caused States to be disenfranchised. Local governments were to receive priority consideration under this program—but not to the exclusion of State applications. Despite this fact, EDA constructed a rating system which undeniably lowered the probability of State-sponsored applications being funded since it awarded school districts the same five point bonus that was given to local governments, and awarded special purpose governments a three point bonus. Such special consideration of the two certainly worked to the detriment of State project applications and should not be further promoted, in our opinion.

As I mentioned before, no mechanism allowed State government to express its preference for certain project applications. Undoubtedly, all of the project applications submitted would benefit the State's communities; however, there may well be some which would produce a greater impact on the individual jurisdiction and on the State as a whole. Such insight by State government should not continue to be untapped and overlooked, since it could insure greater benefits from every dollar spent in this program. We also support the proposed section on youth training, but we feel it should be included with the CETA programs. To alleviate the problems I generally discussed, the National Conference of State Legislatures proposes the following changes:

(1) A mechanism for incorporating the State's priorities when considering its project applications.

This mechanism could most easily take the form of a point preference for projects given high priority by a State. Also needed is a congressional mandate requiring EDA to take these State priorities into account when allocating funds. States would have the option of devising some system to allow the legislature and Governor to determine priority State-sponsored projects. Our recommendation is that the Governor designate on executive agency to handle the determination of priority projects. Then, the results of this effort should be forwarded to the State legislature for its review and comments. The legislature must be aware of public works applications submitted to EDA in order to coordinate them with any capital investment programs using State funds.

(2) Continuation of 100 percent Federal funds for public works projects.

The use of a matching fund has been proposed as another way for applicant jurisdictions to indicate priority projects. However, in NCSL's view, the matching fund requirement will overwhelmingly discourage participation in the program. Many deserving States, especially those in the Northeast, are suffering from dwindling tax bases—and many are already facing budget deficits, tax increases, and reduced levels of service.

(3) A change in the 70-30 split to a ratio placing greater emphasis on areas of high unemployment.

(4) An emphasis upon general purpose units of government.

Perhaps this can best be accomplished by abolishing the bonus points available to local governments, school districts, and special purpose units of government and instituting instead bonus points for general purpose units of government. Another possibility is simply to not award bonus points to school districts and special purpose units of government.

(5) A short time period to submit new project applications for the second round of funding.

Project applications already submitted would be eligible for the second round, but a short time period should be available for new projects to be submitted and for current applications to be changed or remitted.

(6) Applicants' unemployment rates based upon the past 12 months.

By using an unemployment rate based upon the preceding year, and not the currently required 3-month period, seasonal fluctuations can be smoothed out and applicant jurisdictions with chronic unemployment problems will benefit.

We believe these changes will help to alleviate the inequities which existed in the first round and will put States on a more equal footing with other applicants. One need only examine the billions of dollars' worth of State-sponsored applications which were submitted and not funded—projects which would have a far-reaching and regional effect on the States' unemployment problems—to realize that this equalized competition is necessary. Examples of these yet-funded projects abound. In my own State of Pennsylvania, we submitted 154 applications for upgrading the State's transportation system, 28 for construction and rehabilitation projects for State-owned schools, hospitals, and other facilities, and additional projects. Other States have similar projects awaiting EDA's consideration. The rural and urban areas these projects would serve, together with their effects upon the State's unemployment rate, just cannot be overlooked.

On behalf of NCSL, I hope you, Mr. Chairman, and members of the committee will move swiftly to provide increased funding for this worthy program and to make changes necessary to target funds to areas with greatest need.

Thank you.

Senator BURDICK. Thank you.

STATEMENT OF JAMES L. MARTIN, DIRECTOR, STATE/LOCAL RELATIONS, NATIONAL GOVERNORS' CONFERENCE

Mr. Martin, I think we will have you testify and ask questions later.

Mr. MARTIN. Thank you, Mr. Chairman.

Gov. William Milligan of Michigan was a staunch Republican supporter of this bill the first time around in the face of a lot of political opposition. He is chairman of the National Governors' Conference Committee on Community and Economic Development and had planned to be here but has had to stay in Michigan because the lakes are frozen and all of his rivers are frozen and he had to deal with that crisis. I am here today to present to the committee a summary statement of the comments, letters and questions we have received from about 32 States and Governors' officers. We have asked Governors to communicate directly with you their specific concerns from their State and to their own congressional delegations.

My comments represent the Governors' views from 32 States. For many States the first round of the local public works program has been a severe disappointment. State-sponsored projects fared poorly under the EDA selection process. They received less than 2 percent of $2 billion program funds. The proposal in S. 427 of a setaside for projects already submitted is supported by the Governors.

Some of the statistics are very revealing. Pennsylvania with a State unemployment rate of 8.1 percent submitted applications for 182 State-sponsored projects totaling $524 million. None were funded. Connecticut with a State unemployment rate of 9.6 percent submitted 52 applications for almost $60 million worth of State-sponsored projects. None were funded. Nor were funds received for State-sponsored projects in Alaska with an unemployment rate of 10.5 percent. And the list continues.

The Senator has mentioned the projects submitted in Pennsylvania which were not funded. In all, 10 States with unemployment rates over 10 percent were not funded. Even in those States where some State-sponsored projects were funded, the amount of funding was minimal when compared to the need. More importantly, the choice of projects which were funded did not reflect the priority needs in the State. I know of no State in those eight States that were funded where the Governor's priorities were recognized and funded. I will give one example. In Rhode Island the Governor called together the leadership of the Rhode Island League of Cities. He made an agreement with them that the State would not compete for projects that would take money away from the local governments. He asked the State departments and agencies to submit to him only top priority projects. They submitted seven.

In cooperation with the Rhode Island League of Cities, the Governor, in prioritizing, picked one project for application which all the cities in Rhode Island agreed was the top priority project. It was for a correcton center for the State of Rhode Island. It was not funded, nor were the other six. The Governors we have talked to think whenever there is an agreement between the Governor, the mayor or the county executive, and they all agree this is a high priority project, that that kind of an agreement over a single project should have some extra attention, extra priority and extra points.

This failure to recognize the priorities of the Governors and local elected officials in their own States has emerged as a constant criticism of the program. Recognizing that the demand for local public works funds far exceeded the supply, the Governors in a number of States such as California, New Jersey, Michigan, Nevada, Tennessee and Rhode Island indicated top priority projects for funding. Out of over 210 projects in California, the Governor picked only 12 as his top prority projects. EDA had no way of incorporating such information into its rating system and so this valuable State input was ignored.

Other legislative and administrative provisons of the program have also been criticized by Governors. The 70–30 split channeled funding to some areas of low unemployment within the State at the expense of high unemployment areas.

The 85–15 split proposed in S. 427 would help in this regard.

The 5-point preference for units of local government clearly worked to the detriment of State projects. The original House bill language which was adopted by the Conference Committee clearly stated that the priority given local governments was not intended "to preclude the Secretary from receiving an application and making a grant to a State to construct a project in an area of high unemployment where it is clearly demonstrated that the State project will effectively meet the requirements of the act and will have a significant impact on unemployment by producing jobs quickly and stimulating economic activity." However, the bonus for local governments in the EDA rating system did, in effect, operate to preclude many such State applications. This condition was exacerbated when bonus points were also given to special purpose districts. The Senate bill never did have this preference. The issue should be the quality of projects in areas of need regardless of applicant.

Many State governments face budgetary constraints similar to local governments. Expenditures for State capital development and investment projects have by necessity been eliminated or greatly curtailed. Governors feel that the local government preference prohibits State-sponsored projects which meet the established requirements of the act from being favorably considered.

Some State applications were also hurt by the administrative decision to define the project area as the jurisdiction of the applicant, which in a point of case as a statewide area was the jurisdiction of that applicant, when computing the factors for the rating system. State-sponsored projects which were targeted for an area with high unemployment were not funded because EDA used statewide figures for unemployment and per capita income. These provisions were not intended to penalize State-sponsored projects, but had the effect of doing so. The project area definition for State-sponsored projects should be revised to use figures of the area where the project will be located.

Those States with sizable Indian populations were adversely affected by the different method of recording Indian unemployment statistics. The effect was to transfer the major portion of some State allocations to Indian tribes. A small set-aside for Indians would alleviate this problem in the future. S. 427 adequately recognizes and deals with this problem.

There are two provisions in S. 427 that should be carefully reconsidered: The matching requirement and the youth employment title. Requiring a State or local match might help to prioritize project submissions, but I fear a more undesirable result would be to favor governments with matching funds, and penalize those most in need. Most of the urgent and needy projects are just those without matching funds.

Many States have already written the committee that due to a lack of matching funds many highway projects are being deferred.

A national youth employment program is long overdue. The Governors commend the sponsors for recognizing this need as a vital part of the jobs program. The Governors are concerned, however, with the requirement that States and localities must create another delivery system. This would take 6 to 9 months to organize and once organized would duplicate already existing State and local delivery systems. We already have the administrative structure to move now with youth employment programs. Governors recommend that the committee leave the selection and structure of the delivery system up to State and local governments.

The 20-years-age limitation in S. 427 is also unrealistic and in some places could be discriminatory. The unemployment rate of 20–24 year olds is twice the rate of older adults. The program should also provide opportunities for the 20–24 age group.

The committee might also consider a different approach to determining wage rates rather than the proposed "prevailing wage rate." Trainees' wage rates could be allocated in a manner similar to the establishment of apprenticeship wages by the Department of Labor which is determined as a percentage of journeyman wages.

Mr. Chairman, I thank you for giving me the opportunity to present to you the comments we have received from the Governors. I would be glad to answer questions and elaborate on any of these points.

Senator BURDICK. Thank you very much for your contribution. Either one of you gentlemen can answer these questions. I have a couple of questions.

Do you think it may make any sense to have set-asides for State projects and so forth?

Mr. MARTIN. At least 10 Governors have asked for State set-asides. I did not specifically mention that because it was not mentioned in the letters from the others. But I am fairly confident they would not object to a State set-aside.

Senator Burdick. How well did States do in the States that only got the $10 million like my State of North Dakota?

Mr. Martin. Pardon?

Senator Burdick. How well did States do in the States that only got the $10 million?

Mr. Martin. I haven't had any complaints from those States. I think there were 19 of them.

Mr. Greer. Yes.

Mr. Martin. Nineteen States got the minimum allocation. They liked the minimum allocation. It guaranteed they would participate in the program. That was a ceiling for them. They didn't get any more than 10 percent in those States.

Senator Burdick. What were the typical kinds of State applications?

Mr. Martin. The ones we have heard about were fast, construction-type projects that they already had the engineering specifications for. Their projects had been sitting on the shelf. A lot of them were highway reconstruction projects. A lot of them were in the corrections area where underfunding now is very severe, nationally and in State and local governments. Those were the three broad areas. They had no trouble finding projects ready to hit the ground in 90 days.

Mr. Scanlon. That was the same in Pennsylvania. Most of the projects involved are correctional institutions. It involved State hospitals, many of which just do not meet existing standards for safety.

Senator Burdick. Is it not true that in every State application for a project, a local project is bid in a community the same way local communities apply for local projects? The State application was used, the same unemployment data the local government would use, and so forth.

Mr. Scanlon. They use the statewide figure for unemployment. In many instances, that was unfair because it is our position that you should use the unemployment rate in that area to be fair if you are going to be competitive with the local governments in that area.

Mr. Martin. To use an example because I don't think this happened in this instance, if the State of New York wanted to put a project in Yonkers which has high unemployment and has high need, the States are saying that the figures for Yonkers should be used for that State application. The same thing would hold for the county of Westchester, that the figures for Yonkers should be used for the project where it occurs.

Senator Burdick. That is just about what I am driving at.

Mr. Martin. Yes; the priorities should be given to the targeted area and the need, regardless of the applicant. There should be some preference and recognition, especially if the local governments want that State project.

Mr. Scanlon. We had a situation in Allegheny County, Pa. Probably the most affluent suburb is Tarentum. It is very wealthy. A population of about 30,000. They used an unemployment figure of 72,000 which is 42,000 more than live in the community. They were awarded half a million dollars.

Senator Burdick. Where did they pick up those figures?

Mr. Scanlon. That was reported in the Pittsburgh papers.

Senator BURDICK. But where did they allegedly get the figures?

Mr. SCANLON. They were using the Greater Pittsburgh Area, when there is only 25,000, 30,000 people in their community. The city of Pittsburgh got nothing.

Senator BURDICK. We had many examples of that before in these hearings.

Mr. MARTIN. No Governor, in any of the correspondence from Governors' aides we have received, expects to have a project application funded for an affluent area of the State or some lower priority area of the State, but they do think that if they have a project that will go into a targeted area of very high unemployment that there shouldn't be discrimination against that application. In the very small size of State grants there was a lot of that that went on.

Senator BURDICK. Were there many highway projects allocated?

Mr. MARTIN. I haven't seen the list. We have repeatedly asked EDA. They claim there were 111 State projects.

Mr. GREER. Highway?

Mr. MARTIN. No; total, 111 State projects. We have asked them every day for 2 weeks since they threw out that number to give us a list of those projects. They say the computer won't give them to us.

Senator BURDICK. In regard to the highway projects, I would like to have unanimous consent that the letter from the North Dakota State Highway Commission be made a part of the record.

[The letter referred to follows:]

NORTH DAKOTA
STATE HIGHWAY DEPARTMENT

CAPITOL GROUNDS BISMARCK, NORTH DAKOTA 58505

R. E. BRADLEY
Chief Engineer

ARTHUR A. LINK
Governor of North Dakota

WALTER R. HJELLE
Commissioner

January 24, 1977

The Honorable Quentin N. Burdick
United States Senator
Senate Office Building
Washington, D. C. 20510

Dear Senator Burdick:

Congratulations on your Chairmanship of the Economic Development Subcommittee of the Senate Public Works Committee. It is my understanding that hearings will begin by your Subcommittee on February 2 on a bill introduced by Public Works Chairman Randolph concerning Public Works Employment.

For your information, we had applied under the Public Works Employment Act of 1976 for funding to construct the Linton West project in Emmons County. Our application was unsuccessful. We are most hopeful that a new bill, if enacted, will provide the necessary grant of funds for the project.

As a matter of information, we submitted, at the request of the American Association of State Highway and Transportation Officials, a list of highway projects that could be gotten under contract within 90 days after authorization of funding. For North Dakota, this list of projects involved the expenditures of over $26 million. I am sure that I don't need to explain to you that Public Works funding for highway projects will provide (1. badly needed highway improvements; 2. an economic shot in the arm to the contracting industry, the manufacturers of construction equipment, and material suppliers.) The likelihood of continuing depressed farm prices and the probability of continued drought will require North Dakota to have its economy augmented by greatly increased construction activities.

I am very hopeful that a program for highway improvement beyond that currently provided by the 1976 Federal Aid Highway Act can become a reality. It has the tremendous advantage of:

The Honorable Quentin N. Burdick
Page 2
January 24, 1977

1. Being implemented in a short period of time.
2. Provide for a permanent and needed investment in our transportation system.
3. Will put people to work.

The eyes of the nation will be upon you and your Subcommittee in your deliberations to solve the number one national problem - unemployment. We are confident that whatever you do will be in the best national interest.

Sincerely,

Walter R Hjelle
WALTER R. HJELLE
Highway Commissioner

jam

Senator BURDICK. Please proceed, Mr. Martin.

Mr. MARTIN. There are at least 14 to 20 States that have written to us that they are running out of their matching funds for highways. We don't know yet but we think the winter crisis is going to cause a massive shift of State, not the Federal, aid highway money because it can't be used that way, out of construction, delayed construction, into remodeling, maintenance, and reconstruction of the highways.

Senator BURDICK. Some of that money can be used in the interstate now.

Mr. MARTIN. Some. But there is a massive backlog.

Senator BURDICK. Gentlemen, it was a pleasure visiting with you and I enjoyed your testimony. I appreciate your contribution.

Mr. SCANLON. Thank you for your attention, Senator.

Senator BURDICK. Recess until 10 o'clock tomorrow.

[Thereupon, at 3:45 p.m., the subcommittee recessed, to reconvene 10 a.m. Friday, February 4, 1977.]

Statements and Additional Material Submitted for the Record From Today's Proceedings

ATTACHMENTS TO MR. GEORGINE'S STATEMENT

ATTACHMENT A

COMPILED JANUARY 5, 1977

NATION	27.1 %
Northeast Region	60 %
Mid-Atlantic Region	34.8 %
Mid-West Region	22.9 %
Western Region	20.5 %
Southern Region	24.5 %

TUSCALOOSA, ALABAMA	11.5%
Bricklayers	4%
Electrical Workers	0%
Laborers	25%
Plasterers & Cement Masons	69%
Plumbers	0%

FRESNO, CALIFORNIA	21.8%
Carpenters	22%
Electrical Workers	0%
Iron Workers	60%
Painters	30%
Plumbers	8%
Roofers	30%
Sheet Metal	18%

LOS ANGELES, CALIFORNIA	15.1%
Bricklayers	0%
Carpenters	14.3%
Engineers	12.2%
Iron Workers	21.5%
Painters	15.9%
Plumbers	22%
Sheet Metal	18%

OAKLAND, CALIFORNIA	29.3%
Bricklayers	40%
Carpenters	23.3%
Laborers	10%
Lathers	38%
Lino & Soft Tile Setters	3%
Painters	33%
Plasterers	35%
Roofers	25%

SACRAMENTO, CALIFORNIA	22.4%
Bricklayers	9%
Boilermakers	40%
Carpenters	11%
Electrical Workers	11%
Elevator Constructors	7%
Engineers	35%
Glaziers	0%
Iron Workers	50%

SACRAMENTO (Continued)

Laborers	41%
Lathers	12%
Marble Polishers	8%
Painters	14%
Plasterers	24.5%
Plumbers	16%
Roofers	10%
Sheet Metal	17%

SAN DIEGO, CALIFORNIA 16.7%

Bricklayers	18%
Carpenters	24%
Electrical Workers	10%
Glaziers	9%
Laborers	13%
Lathers	40%
Painters	11%
Plasterers	1%
Roofers	13%
Tile, Marble Finishers	12%

SAN FRANCISCO 30.3%

Boilermakers	90%
Carpenters	20%
Elevator Constructors	21.8%
Engineers	31%
Painters	10%
Plumbers	15.4%
Roofers	5%
Tile & Marble Finishers	0%

SANTA ANA, CALIFORNIA 9.5%

Carpenters	12%
Electrical Workers	20%
Laborers	8.1%
Millmen & Cabinet Makers	2%
Painters	2%
Plasterers & Cement Masons	10%
Roofers	20%

SANTA BARBARA, CALIFORNIA	29%
Carpenters	10%
Electricians	60%
Laborers	24%
Painters	35%
Plumbers	28%
Sheet Metal Workers	10%

DELAWARE	44.5%
Asbestos Workers	0%
Bricklayers	75%
Carpenters	55%
Electricians	25%
Engineers	30%
Iron Workers	50%
Laborers	55%
Lathers	20%
Millwrights	50%
Painters	60%
Plasterers	20%
Pipe Fitters	50%
Plumbers	35%
Sheet Metal	35%

DISTRICT OF COLUMBIA	23%
Carpenters	25%
Glaziers	22%
Iron Workers	15%
Plasterers	49%
Sheet Metal Workers	14%
Stone & Marble Masons	10%

TAMPA, FLORIDA	34.8%
Bricklayers	60%
Carpenters	43%
Electricians	15%
Elevator Constructors	45%
Engineers	15%
Iron Workers	36%
Laborers	50%
Lathers	55%
Millwrights	28%
Plumbers	18.5%
Sheet Metal Workers	50%

HAWAII	16.6%
Asbestos Workers	11%
Electricians	13%
Elevator Constructors	2%
Lathers	20%
Plasterers	35%

BOISE, IDAHO	9%
Bricklayers	5%
Carpenters	11%
Electricians	0%
Laborers	20%
Painters	10%
Plasterers	10%
Plumbers	ON STRIKE
Roofers	0%
Sheet Metal	0%

CHICAGO, ILLINOIS	30.5%
Boilermakers	10%
Bricklayers	31.5%
Cement Masons	40%
Electrical Workers	12%
Elevator Constructors	19%
Engineers	15%
Glaziers	2.5%
Iron Workers	44.7%
Laborers	70%
Lathers	30%
Machinery Movers	27%
Painters	17.5%
Plasterers	6%
Plumbers	11%
Roofers	10%

ROCKFORD, ILLINOIS	10.3%
Carpenters	0%
Electrical Workers	20%
Engineers	10%
Iron Workers	0%
Laborers	15%
Plasterers	25%
Plumbers	0%
Roofers	10%
Sheet Metal Workers	25%

PADUCAH, KENTUCKY	49.4%
Carpenters	40%
Electricians	40%
Iron Workers	44%
Painters	5%
Plumbers	80%
Roofers	10%

ALEXANDRIA, LOUISIANA	29%
Bricklayers	85%
Electricians	0%
Laborers	19%
Lathers	20%
Plasterers	60%

NEW ORLEANS, LOUISIANA	15.5%
Asbestos Workers	0%
Boilermakers	40%
Electrical Workers	5.5%
Elevator Constructors	6.5%
Engineers	26%
Laborers	10%
Lathers	15%
Millwrights	37%
Painters	25%
Plasterers	20%
Roofers	8%
Sheet Metal	20%

SHREVEPORT, LOUISIANA	14.5%
Carpenters	5%
Cement Masons	15%
Electricians	2.1%
Elevator Constructors	10%
Iron Workers	27%
Plumbers	30%
Roofers	10%

PORTLAND, MAINE	29%
Bricklayers	8%
Carpenters	65%
Electricians	3%
Laborers	25%

BALTIMORE, MARYLAND 32.8%

Asbestos Workers	20%
Boilermakers	35%
Bricklayers	50%
Carpenters	53%
Cement Masons	30%
Electrical Workers	35%
Elevator Constructors	10%
Operating Engineers	13%
Iron Workers	30%
Laborers	33%
Lathers	10%
Marble Finishers	7%
Millwrights	34%
Painters	0%
Plasterers	50%
Plumbers	36%
Roofers	30%
Sheet Metal Workers	55%
Sprinkler Fitters	33.3%
Steam Fitters	25%

ST. PAUL-MINNEAPOLIS, MINNESOTA 11.5%

Asbestos Workers	11%
Bricklayers	20%
Carpenters	4%
Cement Masons	17%
Electrical Workers	18.6%
Engineers	12%
Floor Coverers	1%
Lathers	30%
Painters	4.7%
Sheet Metal Workers	17.5%
United Association	25%

DETROIT, MICHIGAN 34%

Asbestos Workers	22.8%
Boilermakers	14%
Bricklayers	40%
Carpenters	40%
Cement Masons	40%
Electrical Workers	33%

DETROIT (Continued)

Elevator Constructors	14%
Operating Engineers	50%
Riggers	60%
Glaziers	10.5%
Iron Workers	11.5%
Laborers	17%
Lathers	28%
Painters	22%
Pipefitters	11%
Plumbers	33%
Resteel	40%
Roofers	5%
Sheet Metal Workers	22.5%
Sprinkler Fitters	3%
Tile Layers	15%

KANSAS CITY, MISSOURI 14%

Carpenters	20%
Cement Masons	25%
Glaziers	0.3%
Iron Workers	0%
Laborers	6%
Plumbers	11%
Sheet Metal Workers	10%.

ST. LOUIS, MISSOURI 9.3%

Asbestos Workers	0%
Boilermakers	10%
Bricklayers	50%
Carpenters	5%
Electrical Workers	4.5%
Elevator Constructors	3%
Operating Engineers	25%
Glaziers	7%
Granite Cutters	0%
Iron Workers	25%
Laborers	20%
Lathers	21%
Marble Finishers	0%
Painters	3%
Pipefitters	0%
Plumbers	19%
Roofers	10%
Sheet Metal Workers	5%
Terrazzo Finishers	15%
Tile Workers	4%

LINCOLN, NEBRASKA	33.5%
Bricklayers	10%
Electricians	25%
Laborers	50%
Plumbers	50%
Sheet Metal Workers	20%

BUFFALO, NEW YORK	36.4%
Bricklayers	30%
Cement Masons	30%
Elevator Constructors	14%
Engineers	46%
Glaziers	29%
Laborers	31%
Marble Finishers	40%
Sheet Metal Workers	40%

LONG ISLAND CITY, NEW YORK	77%
Bricklayers	90%
Carpenters	30%
Iron Workers	60%
Riggers	75%

NEW YORK CITY	67.5%
Asbestos Workers	45%
Blasters & Drillers	70%
Bricklayers	84.5%
Carpenters	40%
Concrete Workers	90%
Elevator Constructors	70%
Iron Workers	57%
Laborers	70%
Lathers	68%
Marble Setters	60%
Painters	62%
Plasterers	80%
Plumbers	70%
Roofers	60%
Sheet Metal Workers	52.6%

ROCHESTER, NEW YORK	41.1%
Asbestos Workers	50%
Bricklayers	45%
Electrical Workers	25%
Engineers	50%
Glaziers	25%
Iron Workers	28%
Millwrights	35%

FARGO, NORTH DAKOTA	13.6%
Carpenters	18.2%
Engineers	40%
Iron Workers	1%
Painters	1%
Plumbers	1%
Sheet Metal Workers	10%

NORTHEASTERN PENNSYLVANIA COUNCIL	19%
Asbestos	33%
Bricklayers	15.2%
Carpenters	15%
Cement Masons	10%
Electrical	20%
Elevator Constructors	12%
Laborers	19.5%
Lathers	34.8%
Operating Engineers	15%
Painters	18%
Plumbers	15%
Pipefitters	25%
Roofers	12%
Sheet Metal Workers	20%
Steam Fitters	25%
Boilermakers	25%
Plasterers	3%

PHILADELPHIA, PENNSYLVANIA	48.6%
Asbestos Workers	15%
Boilermakers	31%
Carpenters	70%
Electrical Workers	40%
Elevator Constructors	30%

PHILADELPHIA (Continued)

Engineers	35%
Iron Workers	32%
Laborers	40%
Lathers	50%
Marble Polishers	31%
Painters	40%
Plasterers	66%
Plumbers	40%
Roofers	80%
Sheet Metal Workers	33%

SCRANTON, PENNSYLVANIA 28.2%

Bricklayers	75%
Carpenters	15%
Electrical Workers	20%
Glaziers	35%
Laborers	75%
Painters	1%
Plasterers	0%
Plumbers & Pipe Fitters	3.1%
Roofers	2%

AKRON, OHIO 24.8%

Bricklayers	25%
Carpenters	21%
Electrical Workers	19.27%
Laborers	35%
Painters	10%

CINCINNATI, OHIO 26%

Asbestos Workers	8%
Bricklayers	40%
Boilermakers	10%
Carpenters	40%
Elevator Constructors	10%
Engineers	20%
Laborers	23.8%
Lathers	50%
Marble Setters	50%
Painters	24%
Plumbers	9%
Plasterers	30%
Iron Workers	15%
Floor Coverers	90%
Sheet Metal Workers	13%

CLEVELAND, OHIO	25%
Asbestos Workers	50%
Boilermakers	10%
Bricklayers	45%
Engineers	14%
Laborers	43%
Painters	19%
Plumbers	30%
Plasterers	43.7%
Lathers	30%

COLUMBUS, OHIO	10.6%
Iron Workers	14%
Plasterers	18%
Plumbers	13%
Roofers	5%
Sheet Metal Workers	5.79%

TOLEDO, OHIO	14.1%
Bricklayers	33%
Carpenters	15%
Elevator Constructors	7%
Glaziers	15%
Painters	10%
Plumbers	0%
Roofers	3%
Sheet Metal Workers	36%

PORTLAND, OREGON	11.6%
Carpenters	15%
Elevator Constructors	11%
Iron Workers	18%
Laborers	11.1%
Lathers	0%
Linoleum Workers	0%
Plasterers	10%
Sheet Metal Workers	9%

DALLAS, TEXAS 24.2%

Asbestos Workers	0%
Bricklayers	5%
Carpenters	12%
Elevator Constructors	6.6%
Electrical Workers	33%
Engineers	15%
Floorlayers	50%
Glaziers	10%
Iron Workers	50%
Laborers	35%
Lathers	0%
Millwrights	52%
Painters	20%
Plasterers	60%
Plumbers	16%
Roofers	47%
Sheet Metal Workers	11.5%

SAN ANTONIO, TEXAS 41%

Asbestos Workers	30%
Electrical Workers	35%
Elevator Constructors	20%
Engineers	40%
Iron Workers	80%
Plasterers	14%
Plumbers	30%

WACO, TEXAS 12.5%

Carpenters	0%
Electrical Workers	35%
Painters	25%
Plumbers	12%
Sheet Metal Workers	10%

CORPUS CHRISTI, TEXAS 11%

Carpenters	9.4%
Electrical Workers	0%
Engineers	20%
Iron Workers	20%
Laborers	15%
Millwrights	1%
Operative Plasterers	95%
Plumbers	2%

SEATTLE, WASHINGTON 18.5%

Asbestos Workers	5%
Bricklayers	0%
Plasterers	55%
Sheet Metal Workers	15%
Sprinkler Fitters	20%

TACOMA, WASHINGTON. 17.9%

Bricklayers	8%
Carpenters	12.9%
Electrical Workers	25%
Engineers	14.34%
Painters	30%

EAU CLAIRE, WISCONSIN 26.2%

Laborers	33.5%
Painters	3%
Plasterers	25%
Plumbers	25%
Roofers	0%

MADISON, WISCONSIN 26.3%

Bricklayers	24.3%
Carpenters	18.9%
Electrical Workers	43.3%
Iron Workers	32.3%
Laborers	19.3%
Painters	31.3%
Plasterers	25%
Plumbers	27%
Sheet Metal Workers	51%

MANITOWOC, WISCONSIN 3.8%

Bricklayers	4%
Carpenters	0%
Electricians	10%
Engineers	5%
Iron Workers	0%
Laborers	0%
Painters	0%
Plumbers	20%
Roofers	0%
Sheet Metal	2%

MILWAUKEE, WISCONSIN	13.3%
Asbestos Workers	2%
Boilermakers	1%
Bricklayers	3.6%
Carpenters	22%
Elevator Constructors	6%
Lathers	10%
Plasterers	7.25%
Plumbers	7%
Sheet Metal Workers	0%

ATTACHMENT B

U. S. DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY
WASHINGTON

April 1, 1976

Honorable Elliot Richardson
Secretary of Commerce
Washington, D.C. 20230

Dear Mr. Secretary:

It has recently come to my attention that many recipients of funds under Title X of the Public Works and Economic Development Act, 42 U.S.C. 3246 *et seq.*, are hiring the unemployed directly to perform construction work which would not normally be performed by their regular work force. Apparently on the advice of officials of the Economic Development Administration, the grant recipients have not applied the Davis-Bacon provisions of the statute contained in 42 U.S.C. 3222.

Although this Department is concerned that the intent of Congress to provide jobs for unemployed workers should be fully carried out, it is also concerned that a grant recipient which hires additional employees to perform construction without requiring the payment of the prevailing wages in the locality, as determined under the Davis-Bacon Act, is participating in the depression of local wage conditions--in contravention of the purpose of the Davis-Bacon Act and those related statutes which require payment of prevailing wages on federally assisted construction.

In accordance with our responsibilities under Reorganization Plan No. 14 of 1950, we have carefully considered the question of whether the work at issue is covered by the labor standards provisions of PWEDA, and have determined that it is necessary to clarify the circumstances in which a recipient of Title X funds becomes a "contractor" within the meaning of section 3222 when it performs the construction itself (i.e. by "force account"). In consideration of Title X of PWEDA, the Department of Labor for the first time has examined a situation where grant recipients are apparently hiring large numbers of employees on a temporary basis to perform construction which would not normally be performed with their regular work force.

It is clear from the language of the labor standards provisions and the Conference Report on the 1974 amendments to PWEDA, Pub. L. 93-567, that Congress intended that Davis-Bacon labor standards would apply to construction work performed under Title X. In fact, section 3222 was amended to require that "the Secretary shall not extend any financial assistance under section * * * 3246b [Title X] * * * without first obtaining adequate assurance that these labor standards will be maintained upon the construction work" (emphasis added).

Therefore, in passing Title X, Congress was concerned not only with the mitigation of unemployment, but at the same time with the maintenance of area wage standards. Taking into consideration the intent of Congress and balancing all of the objectives of the Act, the Department has determined that a "contractor" under section 3222 is (1) one who performs construction work, including alteration or repair, pursuant to a contract, (2) one who hires additional employees on a temporary basis for the purpose of performing construction work, including alteration or repair, which historically has not normally been performed by its regular work force, or (3) one who performs new building construction, including an addition to an existing structure, or initial highway construction.

Please advise all granting agencies that they should inform all recipients of Title X funds that any recipient of funds who is a "contractor" as defined above should obtain a wage determination from the Office of Government Contract Wage Standards, Wage and Hour Division, U.S. Department of Labor, and pay not less than the prevailing rate for the applicable classification to all laborers and mechanics currently on the payroll who have been hired for the construction projects funded under Title X, as well as all laborers and mechanics to be hired in the future for those projects.

We suggest that in the future if any question arises concerning coverage or interpretation of the labor standards provisions of a statute, the question should be immediately referred to the Wage and Hour Division.

Sincerely,

W J Usery Jr.
Secretary of Labor

THE SECRETARY OF COMMERCE
Washington, D.C. 20230

APR 28 1976

Honorable W. J. Usery, Jr.
Secretary of Labor
Department of Labor
Washington, D. C. 20210

14503

Dear Mr. Secretary:

Thank you for your letter of April 1, 1976, concerning the applicability of Davis-Bacon wage standards to certain projects being assisted under Title X of the Public Works and Economic Development Act, 42 U.S.C. 3246 et seq. (PWEDA).

As you know, funds for assisting projects under Title X have already been fully committed and, with two or three exceptions, all projects are now actually underway or have been completed. Costs for the accomplishment of the projects were calculated on the longstanding interpretation that Davis-Bacon wage standards did not apply to so-called "force account" projects -- i.e., those projects where a municipality directly hires temporary employees to carry out construction tasks instead of contracting for the construction work. The Office of the Solicitor of the Department of Labor has, on at least two occasions, confirmed our interpretation of the nonapplicability of Davis-Bacon standards to "force account" work. This interpretation has been based upon the determination that municipalities or other local public bodies are not contractors or subcontractors within the meaning of the Davis-Bacon Act, 42 U.S.C. 276a-a-5, and Section 712 of the PWEDA, 42 U.S.C. 3222.

The principal basis set forth in your letter for a new and different interpretation of the applicability of Davis-Bacon wage standards to "force account" work is the technical amendment made to Section 712 of the PWEDA by the 1974 Amendments to the PWEDA. This technical amendment merely added Section 1003 (Title X, 42 U.S.C. 3246(b)) to a list of sections included under Section 712. Section 712 requires payment of Davis-Bacon wages to employees of contractors and subcontractors. It is our continuing belief that "force account" employees are not employees of contractors or subcontractors within the intent of Section 712. Nothing in the legislative history of the PWEDA or of the 1974 Amendments supports a contrary interpretation. Therefore, we cannot believe that the aforedescribed technical amendment of Section 712 of the PWEDA mandates a change in the interpretation that has been traditionally accorded to the operative language of Section 712.

Despite our disagreement with you regarding the scope of the mandate of Section 712 of the PWEDA as amended, we do recognize your rulemaking authority under Reorganization Plan No. 14 of 1950. We do not believe, however, that this rulemaking authority can be exercised to govern retroactively projects for which funds have already been obligated. With respect to such prior commitments, we believe that the decision of the Comptroller General as reported in 40 Comp. Gen. 565 (1961) is controlling. This decision establishes that responsibility for enforcement of labor standards remains with the individual agencies and departments of the Government and that directives or determinations by the Secretary of Labor regarding ongoing projects are to be regarded as advisory only. The principle enunciated by the Comptroller General with respect to retroactively imposing Davis-Bacon wage standards on direct Federal contracts should appropriately be applied to grant agreements involving Federal assistance, as in the instant circumstance.

As you requested, I am sending a copy of your letter of April 1, 1976, to each of the participating granting and lending agencies under the Title X program. I am concurrently sending each such agency a copy of this letter.

Sincerely,

Elliot L. Richardson

Honorable Elliot Richardson
Secretary of Commerce
Washington, D. C. 20230

Dear Mr. Secretary:

In accordance with this Department's responsibilities under Reorganization Plan No. 14 of 1950, we have been studying the provisions of the Local Public Works Capital Development and Investment Act of 1976, Title I of the Public Works Employment Act of 1976, Pub. L. No. 94-369 (July 22, 1976), which will be administered by the Economic Development Administration of the Department of Commerce. Funds under that Act will be utilized primarily for construction of local public works projects with on-site labor to begin within ninety days of project approval.

As you know, the labor standards provisions in section 109 of the Act are virtually identical to the labor standards provisions of the Public Works and Economic Development Act, 42 U.S.C. 3222, and if recent experience with the Public Works and Economic Development Act is any indication, a substantial amount of construction is likely to be performed by grant recipients themselves (i.e., by "force account").

These circumstances are, thus, indistinguishable from those underlying the ruling pertaining to Title X of the Public Works and Economic Development Act, which was explained in my letter of April 1, 1976. Accordingly, we have determined that a "contractor" within the meaning of section 109 of the Local Public Works Capital Development and Investment Act of 1976 is: (1) one who performs construction work, including alteration or repair, pursuant to a contract; (2) one who hires additional employees on a temporary basis for the purpose of performing construction work, including alteration or repair, which historically has not normally been performed by its regular work force; or (3) one who performs new building construction, including an addition to an existing structure, or initial highway construction.

2.

Please advise the Economic Development Administration to take steps to ensure that grant recipients are informed of this ruling, and that appropriate contract clauses and wage determinations are incorporated in any grant agreement with respect to which the recipient is a "contractor" as defined above. Of course, we will be glad to review questions concerning the application of this definition in individual cases and to provide assistance in obtaining the appropriate wage determination.

In addition, the April 1 ruling defining "contractor" under Title X of the Public Works and Economic Development Act remains in effect, and applies to the entire Act.

Sincerely,

W. J. USERY JR.

Secretary of Labor

Office of the Attorney General
Washington, D.C. 20530

JAN 1[illegible] 1977

Honorable Elliot Richardson
Secretary of Commerce
Department of Commerce
Washington, D.C. 20230

Dear Mr. Secretary:

This is in response to the December 3, 1976, letter from Acting Secretary of Commerce Smith requesting my opinion whether the term "contractors or subcontractors" in § 109 of the Local Public Works Capital Development and Investment Act of 1976 (Local Public Works Act) encompasses governmental grantees under the Act who choose to carry out project work by direct hire of a work force (i.e., on a "force account" basis) rather than by entering into contracts with independent contractors.

Section 109 provides as follows:

> All laborers and mechanics employed by contractors or subcontractors on projects assisted by the Secretary under this Act shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a-276a-5). The

> Secretary shall not extend any financial assistance under this Act for such project without first obtaining adequate assurance that these labor standards will be maintained upon the construction work. The Secretary of Labor shall have, with respect to the labor standards specified in this provision, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176; 64 Stat. 1267; 5 U.S.C. 133z-15), and section 2 of the Act of June 13, 1964, as amended (40 U.S.C. 276c).

The Secretary of Labor, acting "in accordance with [his] responsibilities under Reorganization Plan No. 14 of 1950," advised the Secretary of Commerce by letter of October 27, 1976, of his determination that:

> a "contractor" within the meaning of section 109 of the Local Public Works Capital Development and Investment Act of 1976 is: (1) one who performs construction work, including alteration or repair, pursuant to a contract; (2) one who hires additional employees on a temporary basis for the purpose of performing construction work, including alteration or repair, which historically has not normally been performed by its regular work force; or (3) one who performs new building construction, including an addition to an existing structure, or initial highway construction.

The letter to me from the Acting Secretary of Commerce expresses disagreement with this interpretation, insofar as it would bring within the Davis-Bacon restrictions "force account" work by State and local government grantees.

In connection with this matter, we have considered the views of the Department of Labor, which were provided in a memorandum of law from the Solicitor of Labor dated

December 20, 1976. The Solicitor calls attention to opinions of earlier Attorneys General, which set forth the principle that an opinion should not be furnished unless the question posed is one which the head of the department making the request is "called upon to decide in its administration." 20 Op. A.G. 312, 313 (1892); see 28 U.S.C. 512.1/ It is unquestioned in the present case that the Secretary of Commerce has an administrative responsibility whose disposition depends upon resolution of the issue here presented --namely, the responsibility to withhold financial assistance from any project which does not comply with the labor standard requirements of the law. The Solicitor of Labor contends, however, that the resolution of this particular issue has

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1/ The policy reasons for the limitation are obvious, and not dissimilar from some of the bases underlying the judicial doctrine of standing. It has been said, however, that "as a matter of public policy as well as of courtesy, any doubt on a question of this nature should be determined in favor of the propriety of [giving] advice." 27 Op. A.G. 37, 38 (1908).

been committed to the Secretary of Labor by the following sentence of § 109: 2/

> The Secretary of Labor shall have, with respect to the labor standards specified in this provision, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176; 64 Stat. 1267; 5 U.S.C. 133z-15), and section 2 of the Act of June 13, 1964, as amended (40 U.S.C. 276c).

The first of the cited provisions authorizes the Secretary of Labor to prescribe, and requires other agencies to observe, "standards, regulations, and procedures . . . with respect to compliance with and enforcement of . . . labor standards." The second requires the Secretary to "make reasonable regulations for contractors and subcontractors engaged in . . . works financed in whole or in part by loans or grants from the United States." While I do not dispute the propriety of the Secretary of Labor's addressing the question here at issue under the authority provided by these provisions, or even the claim to great deference for his determination, I

2/ The Solicitor also cites the Portal-to-Portal Act, 29 U.S.C. 259, which establishes as a defense to any liability or punishment for failure to pay minimum wages under the Davis-Bacon Act reliance upon a written regulation, order, ruling, approval, or interpretation of the Secretary of Labor. I will not discuss this provision here, since any support for the Solicitor's position which it provides is much weaker than that contained within the two provisions discussed in text.

believe that the Secretary of Commerce's administrative responsibility for implementation of the Local Public Works Act at least requires him to satisfy himself concerning any doubts he may have regarding the lawfulness of the Secretary of Labor's determination, and permits him to seek my advice for that purpose. This conclusion will be seen as particularly appropriate when it is recognized that, as will be discussed below, the present controversy does not involve a uniform interpretation which the Secretary of Labor seeks to apply to the Davis-Bacon Act and all related acts, but rather a special rule applicable to the Local Public Works Act.3/ To the extent the outcome hinges upon the peculiar text or peculiar circumstances of that law, the policy considerations supporting an assertion of exclusive cognizance in the Secretary of Labor become less persuasive, and the issue becomes more appropriate for--if not resolution by the Secretary of Commerce--at least examination by the Attorney General at the Secretary's instance.

I find, moreover, that the jurisdictional issue has already been resolved in an opinion issued by Attorney General

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3/ The Solicitor of Labor states that although "the Secretary . . . has under consideration the matter of defining 'contractor' uniformly under all of the Davis-Bacon labor standards statutes," "because individual statutes vary materially in their language, it has been determined that such action for the time being will be considered on a case by case basis . . . ."

Rogers in 1960, 41 Op. A.G. 488. That opinion responded to an inquiry from the Secretary of Commerce as to whether owner-operators of trucks engaged in federally subsidized highway projects were "employed" laborers and mechanics covered by 23 U.S.C. 113--a provision invoking the Davis-Bacon Act, similar to the § 109 at issue here. There, as here, the Secretary of Commerce disagreed with the Secretary of Labor's determination of coverage. After affirming the authority of the Secretary of Labor to address the issue (just as I affirm that authority in the present case), Attorney General Rogers examined the basis for that decision and concluded that "in my judgment, the Secretary of Labor's interpretation of the Davis-Bacon Act and 23 U.S.C. 113 is a proper one." Id. at 503. If the issuance of an opinion was appropriate in that case, it is a fortiori appropriate here, since the status of State and local governmental grantees as "contractors" goes much more to the heart of administration of the particular statute in question than did the status of owner-operators in that earlier case.

The Solicitor's memorandum also suggests an allied point, to wit, that the proper forum to decide the present question is the Department of Labor's Wage Appeals Board established by the Secretary's Order No. 32-63 (29 Fed. Reg. 118, Jan. 4, 1964, as amended by 29 Fed. Reg. 4761, April 2, 1964). The difficulty with this resolution is that the Wage Appeals Board is directly responsible to the Secretary of Labor for the proper performance of its functions, which include the obligation to abide by the Secretary's interpretations. Surely it would be futile to require an appeal to this body of a ruling made by the Secretary personally in his letter to the Secretary of Commerce of October 27, 1976.

Turning, then, to the substance of the matter, I must find that the application of the Davis-Bacon provisions to "force account" projects under the Local Public Works Act as set forth in the Secretary's letter can not be derived from the language of the statute. The phrase "contractors or subcontractors" appears in the Local Public Works Act for the first and only time in § 109. Through the remainder of the Act, the grantees are referred to as "governments" or "applicants," see, e.g., §§ 103(a), 108(b)(c)(d), 106(d). It would not occur to a person reading through the Act as an integral whole that the new term "contractors or subcontractors" was being applied to these entities. In fact, even if these words were used in isolation, in a construction context such as is here involved their normal application would not embrace an entity which performs work for itself, with its own employees, but would be limited to an entity which performs work, under contract, for another. Although the term "contractor" is "strictly applicable to any person who enters into a contract," it "is commonly reserved to designate one who, for a fixed price, undertakes to procure the performance of works on a large scale, or the furnishing of goods in large quantities, whether for the public or a company or individual." Black, Law Dictionary 397 (4th ed. 1951). The same authority gives the following definition: "One who in pursuit of independent business undertakes to perform a job or piece of work, retaining in himself control of means, method and manner of accomplishing the desired result." Id. Neither of these definitions would appropriately be applied to a State or local governmental entity in the present context.

This normal meaning of the phrase "contractors or subcontractors" might, to be sure, be overcome by some contrary indication of legislative intent, displayed in the text of the statute or in its legislative history. In fact, however, all such indications positively reinforce the interpretation described above. The text of § 109, in addition to referring explicitly to the Davis-Bacon Act, is patterned after the language of that statute--for example, in its use of the phrase "laborers and mechanics" and the terminology "prevailing wages." It is entirely clear in the Davis-Bacon Act, however, that the phrase "contractor or subcontractor," which appears frequently, is employed in the usual sense described above, and not in such a fashion as would render it applicable to the initiator of the work, the United States itself. See, *e.g.*, *Veader* v. *Bay State Dredging & Contracting Co.*, 79 F. Supp. 837, 840 (D. Mass 1948); 38 Op. A.G. 229 (1935). It is true that the situations are not entirely parallel, since in the Local Public Works Act there intervenes a third party between the United States and the "contractor" in the Davis-Bacon sense. This seems to us inconsequential, however, since the word is for present purposes only susceptible of two meanings, one of which would include the initiator of the work (whether it be the United States or the State or locality to which the United States makes grants), and the other of which--following the usual meaning in a construction context--would include only the person or entity which contracts to do the work for another.

The Solicitor of Labor cites several cases decided under the Fair Labor Standards Act, as amended, 29 U.S.C. 201 *et seq.*, as supporting the Secretary's interpretation of the term "contractor". *Wirtz* v. *Allen Green & Associates, Inc.*, 379 F.2d 198 (6th Cir. 1967); *Brennan* v. *Six Flags Over*

Georgia, Ltd., 474 F.2d 18 (5th Cir. 1973), *cert. denied*, 414 U.S. 827 (1973), *Hodgson v. Colonnades, Inc.*, 472 F.2d 42 (5th Cir. 1973). These decisions, however, deal with statutory language which is in no way parallel to that involved here; and they do not raise the central issue of legislative intent here involved, namely, whether the employment practices of State and local government entities were meant to be covered.

The Solicitor's memorandum places some reliance upon the fact that the second sentence of § 109 requires the Secretary of Commerce to obtain assurance that "these labor standards will be maintained *upon the construction work*" (emphasis added)--suggesting that the underscored phrase indicates that all work on the project is covered. However, the phrase "these labor standards" clearly refers the reader back to the first sentence of the section, which sets forth standards applicable only to "contractors or subcontractors." I do not believe the second sentence can reasonably be read as addressing the problem here involved, and it is an analysis of the phrase "contractors or subcontractors" which must be looked to for a solution.

The legislative history of the Local Public Works Act is less helpful, with respect to the present point, in what it says than in what it does not say. The only reference to

§ 109 is the statement that it "makes the Davis-Bacon Act applicable to all grants for projects under this act." S. Rep. No. 939, 94th Cong., 2d Sess. 18 (1976); H.R. Rep. No. 1077, 94th Cong., 2d Sess. 6 (1976). This could conceivably mean that State and local employees are to be governed by federal minimum wage determinations, but I think it much more likely to mean that "contractors or subcontractors" are subject to such determinations under this law, just as they are under Davis-Bacon, and with the same application of that phrase. What is much more significant in the legislative history, however, is the absence of any reference in the committee reports or the floor debates to the fact that State and local civil-service salaries for persons working on projects funded by the Act might have to be higher than those presently applied, and higher than those given to other State and local employees performing similar work. Federal intervention with respect to State and local governmental wage scales is certainly not a step to be taken lightly, _cf._ _National League of Cities_ v. _Usery_, ____ U.S. ____, 96 S. Ct. 2465 (1976), and the absence of any clear and explicit reference to the matter, not only in the text but even in the legislative history, would be extraordinary.

This point is highlighted by examination of a recent instance in which the Congress chose to apply the Davis-Bacon restrictions to "force account" work. The Comprehensive Employment and Training Act of 1973, as amended, 29 U.S.C. 801 et seq. (Supp. V), contains two separate provisions which apply to States and to certain types of local governments as employers. The texts invoking Davis-Bacon standards read as follows:

> [P]ersons employed in public service jobs under this chapter shall be paid wages which shall not be lower than whichever is the highest of (A) the minimum wage which would be applicable to the employee under the Fair Labor Standards Act of 1938, if section 206(a)(1) of this title applied to the participant and if he were not exempt under section 213 of this title, (B) the State or local minimum wage for the most nearly comparable covered employment, or (C) the prevailing rates of pay for persons employed in similar public occupations by the same employer; 29 U.S.C. § 848(a)(2)
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> * * *
>
> [F]unds allotted under section 963 of this title to eligible applicants may be used for . . .
>
> (3) payment of wages (at rates not less than those prevailing on similar construction in the locality as determined by the Secretary in accordance with the Davis-Bacon Act, as amended (sections 276a-276a-5 of Title 40), for unemployed and underemployed persons as employees of public employers in jobs on community capital improvement projects which would not otherwise be carried out, including the rehabilitation, alteration, or improvement of public buildings, roads and other public transportation facilities, health and education facilities, and other facilities for the improvement of the community in which the project is or will be located . . . . 29 U.S.C. § 964(b)(3).

It is unlikely that a legislature which knew how to express so clearly the coverage of public service jobs intended to achieve the same effect by use of the phrase "contractors or subcontractors" in § 109.

It is also impossible to ignore the fact that § 109 is not a unique statutory enactment, but one in a long series of labor standard provisions attached to federal grants, invoking the provisions of the Davis-Bacon Act. Many of these, involving grants for State and local programs, contain operative language which is not merely similar, but identical, to the text here at issue. See, e.g., Comprehensive Employment and Training Act of 1973, as amended, § 706, 29 U.S.C. 986 (Supp. V); General Education Provisions Act, as amended, § 433, 20 U.S.C. 1232b; Federal Civil Defense Act of 1950, as amended, § 201, 50 U.S.C. App. 2281(i); Housing and Urban Development Act of 1965, as amended, § 707, 42 U.S.C. 3107. As far as we are aware, these provisions were, at least until 1975, uniformly interpreted by the Department of Labor to exclude work which States and localities performed on a "force account" basis. Thus, in an opinion delivered on October 27, 1965, to the Housing and Home Finance Agency, concerning interpretation of the Housing and Urban Development Act of 1965, supra, the Acting Solicitor of Labor stated:

"It has been our position that municipalities or other local public bodies are not contractors and subcontractors within the meaning of the provisions of the Davis-Bacon and other related Acts" (emphasis added). It is doubtful whether the Secretary of Labor could now change this position, when many of the enactments using the statutory formula here in question have been based upon the well-known prior interpretation of that text--amounting, in effect, to its Congressional adoption. See 2A Sutherland, Statutes & Statutory Construction, § 49.09 at 256-57 (4th ed. 1973). 4/

The only basis which the Secretary of Labor has expressed for treating the standard language differently

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4/ This is not to say that the standard language may not be given a different interpretation when a distinction is justified by legislative history or by other provisions of the statutory text. However, as set forth above, I find no such justification in the present case. I note that the Secretary of Labor, as appears from his letter to you of April 1, 1976, has adopted an interpretation identical to that here at issue with respect to Title X of the Public Works and Economic Development Act of 1965, as amended, 42 U.S.C. 3246, et seq.; and we are advised by the Solicitor that the Department of Housing and Urban Development, with the Department of Labor's approval, has adopted a similar (though not identical) interpretation with respect to § 110 of Title I of the Housing and Community Development Act of 1974, 42 U.S.C. 5310. My opinion has not been requested with respect to these interpretations, and having conducted no examination of the texts or legislative histories involved, I express no opinion concerning them.

in the present case [5] is that in considering application of this statute "the Department of Labor for the first time has examined a situation where grant recipients are apparently hiring large numbers of employees on a temporary basis to perform construction which would not normally be performed with their regular work force." [6] This may assuredly be a reason why the exclusion of "force account" work uniformly adopted in other enactments should not have been adopted here; and if the issue were one of Secretarial discretion, rather than of Congressional intent, it would support a differing exercise of such discretion in the present case. But it is an inadequate basis for declining to apply the intended meaning of a statutory text.

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[5] The second sentence of § 109, discussed earlier, is not a distinctive feature of the present statute. Similar language is contained in other provisions which have been interpreted not to include "force account" work. See, e.g., the Housing and Urban Development Act of 1965, as amended, § 707, 42 U.S.C. 3107; Federal Civil Defense Act of 1950, as amended, § 201, 50 U.S.C. App. 2281(i); October 27, 1965 Opinion of Acting Solicitor of Labor, supra.

[6] This statement is contained in the April 1, 1976, letter from the Secretary referred to in footnote 4, whose justifications are adopted by reference in his October 27, 1976 letter.

The inadequacy of the end which the Department of Labor has in mind to support the means which it has chosen is also displayed in the nature of the supposed definition of "contractor" which has been adopted. It would include a State or locality which hired additional employees on a temporary basis to perform repair work which "historically has not normally been performed by its regular work force," but it would not include a State or locality which uses its present employees to perform such repairs, or which hires additional, temporary employees to perform repair work which historically has normally been performed by its regular work force. These distinctions may be supported by sound policy, but they can not be found within the word "contractor." In using its own employees upon a covered project, the State or locality either is a contractor (if the broad meaning of that term is adopted) or is not a contractor (if the more common and hitherto uniformly applied meaning is adopted.) The term can not be applied selectively, and with total disregard of meaning, to cover only those situations in which "force account" work is being used in a fashion the Secretary considers undesirable.

Finally, I must address the Solicitor's suggestion that the Secretary of Labor's interpretation should be accepted because it is clearly necessary to effectuate the purpose of the Davis-Bacon Act, which he takes to be to prevent the use of federal funds in such a fashion as to depress local wage conditions. It seems to me, however, that this is merely a restatement of the present controversy rather than a guide to its solution. It is assuredly not clear that the Davis-Bacon Act was intended to prohibit *all* use of federal funds which would have the suggested effect, for otherwise "force account" work by the federal government itself would have been included. The legislative history of the Davis-Bacon Act shows that the federal government was intentionally exempted from the prohibition, on the assumption that it would be fair. See 74 Cong. Rec. 6512-13 (1931) (remarks of Reps. Fish, Bacon, and Dowell). The Act was directed at "unscrupulous contractors" who paid less than the prevailing local wage rates. See H.R. Rep. No. 1445, 71st Cong., 3d Sess. 2 (1931), 74 Cong. Rec. 6511-12, 6516-17 (1931) (remarks of Reps. Bacon and McCormack). The real issue of legislative intent involved in the present controversy is whether, in the Local Public Works Act, the Congress was according to State and local governmental entities the same benefit of the doubt which it accorded the federal government itself under the Davis-Bacon Act, or rather intended to restrict States and localities as well as the perennial "unscrupulous contractors." As I have suggested above, the latter conclusion finds no support in the text or legislative history of the Act, and is plainly negated by both the ordinary meaning of the statutory language and by its historically accepted application in the Davis-Bacon context. Thus, the extension of Davis-Bacon restrictions to State and local governments in their own hiring would subvert rather than further the Congressional intent.

I appreciate the Secretary of Labor's policy reasons for adopting the interpretation he has chosen, but even the great deference which must be accorded his views can not permit disregard of a clear legislative disposition. I therefore advise that project work carried out by State and local governments under the Local Public Works Act on a "force account" basis is not subject to the labor standards provisions of § 109.

Sincerely,

Edward H. Levi
Attorney General

ATTACHMENT C

Section 109 of the Local Public Works Capital Development and Investment Act of 1976 provides that:

"All laborers and mechanics employed by contractors or subcontractors on projects assisted by the Secretary under this Act shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40U.S.C. 276a-276a-5)..."

In order to correct this situation presently and for use in legislation where local governmental agencies receive financial assistance for construction under federal acts, the Building and Construction Trades Department suggests that the terms "contractor" and "subcontractor" be deleted, so that Section 109 amended would read as follows:

"All laborers and mechanics employed on projects assisted by the Secretary under this Act shall be paid wages, etc..."

A second way of phrasing the above would be as follows:

"All laborers and mechanics employed in the performance of work on any construction project funded under this Act shall be paid wages etc..."

STATEMENT OF JACK CURRAN, LEGISLATIVE DIRECTOR, ON BEHALF OF ANGELO FOSCO, GENERAL PRESIDENT, LABORERS' INTERNATIONAL UNION OF NORTH AMERICA, AFL-CIO, BEFORE THE SUBCOMMITTEE ON ECONOMIC DEVELOPMENT OF THE SENATE PUBLIC WORKS COMMITTEE ON S. 427 AUTHORIZING ADDITIONAL FUNDS UNDER THE PUBLIC WORKS EMPLOYMENT ACT OF 1977

Mr. Chairman, Members of the Committee:

My name is Jack Curran, speaking on behalf of General President Angelo Fosco of the Laborers' International Union of North America. It is a pleasure for me to appear here today to speak in support of S. 427, a bill to increase the authorization for the local public works program under the Public Works Employment Act of 1977.

It is perhaps redundant to point out to this Committee that the construction industry is at a desperate pass. Unemployment, officially measured at 13%, is far higher when you consider the effects of unemployment compensation termination, seasonal employees and discouraged workers. Our industry will not soon recover from this extended period of high unemployment. Construction workers are not simply sitting around, waiting for things to pick up. They are actively seeking work in other industries. Many of them, their faith in the construction industry shaken, will never return. Every month, indeed, every day, that we fail to take effective action means the permanent loss to the industry of skilled, experienced workers and a high cost for recruiting and training new employees when we finally do find recovery.

.....

My own members are suffering a totally intolerable level of unemployment. Construction Laborers' are always hit harder than many skilled trades by a depressed Labor market, but this knowledge does not ease the pain of our present circumstances. Based on receipts of our Health and Welfare Funds, a sure indication of man-hours worked, unemployment among our members is as high as 50% in the New England states; 30-40% in Illinois and the rest of the industrial Midwest; 30% in California; 40% in the Southeast. America cannot tolerate the continued waste of its human resources on this scale.

Forecasts of construction work in 1977 hold forth little hope for improvement. Total dollar volume, though up substantially from anticipated year-end figures of 1976, does not, when adjusted for price effects, offer more than partial relief to the long-suffering Construction Workers. Only a substantial effort by the Federal Government will end this vast waste of skilled, productive manpower.

It seems obvious to me that our problems in the Construction Industry will not respond to a general recovery program but rather must be addressed directly. The modest tax rebate proposals recommended by President Carter, while meritorious in their own right, will be of more aid to retailing than in

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stimulating commercial construction. The investment incentives under consideration by some will, in my opinion, do little for the Construction Industry until such time as massive excess productive capacity in our country is more fully utilized. Thus, the only hope for our hard-pressed construction workers lies in the Public Works Act under consideration by this Committee.

I do not wish to take too sharp exception to President Carter's overall economic plan. The general recovery of the private sector of our economy will certainly, in the long run, provide a more secure and widespread base for the employment of construction workers than any number of special or emergency government programs. To meet our immediate needs, however, I submit that the President's program is inadequate. We have already seen tax relief and investment incentives fail to produce effective short-term increases in construction employment, and it is our short-term problem which must now be met by this legislation.

Similarly, the President's recommended $2 billion Public Works Program falls short of our immediate need. In point of fact, I

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would rather see the authorization limit raised to $10 billion than six. There is no doubt that the demand exists. When, in 1976, the Congress made $2 billion dollars available for Public Works, the Economic Development Administration received 25,477 applications totalling $23.9 billion, all within a period of 33 working days. None of these were long lead-time proposals since one of the requirements of the Act was that each approved project start within 90 days.

S. 427 will provide an immediate, direct employment effect in the Construction Industry at the same time that it makes needed improvements in the physical plant of our local and state governments. Far from being a give-away, boondoggle or any of the other perjorative terms that are far too frequently applied to Federal programs, S. 427 represents an investment in the health of America's vital Construction Industry as well as the net worth of our society.

Mr. Chairman, I wish to commend you and the members of your Committee for this opportunity, so early in the session, to present our views on the proposed legislation which is needed so very much.

Thank you.

* * * * *

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STATEMENT BY

THE HONORABLE KENNETH A. GIBSON
MAYOR OF NEWARK, NEW JERSEY
PRESIDENT, UNITED STATES CONFERENCE OF MAYORS

ON BEHALF OF

UNITED STATES CONFERENCE OF MAYORS

BEFORE THE

SUBCOMMITTEE ON ECONOMIC DEVELOPMENT
OF THE
SENATE PUBLIC WORKS COMMITTEE

FEBRUARY 3, 1977

84-700 494

Mr. Chairman, Members of the Committee.

I am Kenneth A. Gibson, Mayor of Newark, New Jersey and President of the United States Conference of Mayors. With me today, representing the Conference are Lee Alexander, Mayor of Syracuse, New York and Vice-President of the Conference of Mayors, and Peter Flaherty, Mayor of Pittsburgh. On behalf of the Conference, I would like to express our appreciation for this opportunity to discuss with this Committee the extension of the Public Works Employment Act of 1976 as part of the federal government's economic stimulus program.

The Conference of Mayors is a strong advocate of the public works program. That federal assistance effort, together with countercyclical fiscal assistance and public service jobs, make up what we consider to be a necessary comprehensive and sound urban economic recovery package. Each of these programs is designed to address a particularly acute problem in our cities: public works funds for necessary capital improvements postponed due to lack of revenues; countercyclical fiscal assistance for cities with inadequate operating revenues due to the recession; and, public service jobs to provide meaningful employment for the vast numbers of our people for whom private sector jobs are not available. These three programs must be in place and operative at the same time. If not, the effectiveness of each will be substantially diluted.

We are pleased that President Carter and the Congressional leadership agree that the economy needs further stimulation this fiscal year and that these three programs have been selected for additional funding. However, we are disappointed in the level of funding for these programs being proposed by the President. The Conference of Mayors' National Urban Investment Program, which I would like to have included in the record, calls for at least a $12.3 billion spending increase in Fiscal Year 1977. Specifically, we call for $4 billion in public works, $3.5 billion in countercyclical fiscal assistance, and $2.5 billion in Titles I, II, and VI of CETA.

As you are aware, Mr. Chairman, the Conference of Mayors, together with the fine leadership of yourself and other Congressional leaders, worked tirelessly for nearly one and three-quarters years to enact the Public Works Employment Act of 1976. Despite legislative difficulties and two Presidential vetoes. we were successful.

Fortunately, we do not appear to be facing the same kind of difficulty this year as we have in the past on this legislation. The question is the level of funding. As I already mentioned , we urge that an additional $4 billion be authorized and appropriated in Fiscal Year 1977 for public works. The Conference of Mayors is prepared to work as long and as hard to get countercyclical fiscal assistance and public service jobs programs extended and expanded as we did to get them enacted. However, we cannot support extension of the public works program unless and until certain legislative and/or administrative changes are made to guarantee that the nation's cities receive their equitable share of the funds. We are here today to tell you that cities did not receive their equitable share of the

$2 billion allocated under the existing program and the acute urban needs are going unmet.

For example, a recently completed Conference of Mayors' survey of some 285 cities across the country reveals that during calendar year 1976, local governments were faced with budget reductions through cutbacks in personnel, services, and capital spending. 54 percent of the cities deferred capital spending, 61 percent reduced the number of their municipal employees, and 40 percent increased existing and/or levied new taxes -- actions which have a direct, negative impact on national efforts to reduce unemployment and stimulate economic recovery. Moreover, unemployment rates in our cities remain at intolerable levels -- in many instances, more than double the national average. Conditions such as these of our central cities clearly were to be addressed by the Public Works Employment Act of 1976. Needless to say, they were not.

Mr. John Eden, outgoing Assistant Secretary of Commerce and head of the Economic Development Administration, has stated that with very few exceptions, he is "entirely satisfied that what we have accomplished is an absolutely fair and objective system" of awarding grants under the $2 billion program. The Conference of Mayors could not disagree more with Mr. Eden's definition of what is "fair" and what is "objective". We strongly believe that the formula used by the EDA goes against the Congressional mandate to create jobs in economically hard-hit areas.

What Happened?

I do not intend to cite "horror" stories about the inequities of the $2 billion allocation. I do want to make some positive recommendations for change. But, before doing so, allow me to cite some basic facts and point out some reasons for the maldistribution of funds.

Forty-nine of the nation's 100 largest cities received no funds whatever. Fifty-eight percent of all the cities over 100,000 in population did not receive grants. The pattern was basically similar for cities above 50,000. What went wrong?

- First, applicants were permitted to carve out project areas that gave them the best possible unemployment data (rate and numbers of unemployed). Such gerrymandering resulted in suburban jurisdictions receiving project approvals by using the distress factors of neighboring central cities while these same economically hard-hit central cities were denied or received less than their equitable share of funds.
- The requirement that 30 percent of the funds be allocated to applicants with unemployment below the national average created gross funding inequities. For example, competition for the 70 percent pot was severe in those states having many cities with high unemployment. Many such cities received no funds at all while other jurisdictions within the state having lower unemployment were funded out of the 30 percent pot of money.

- The standard definition of "general purpose local government" was, for some reason, broadened to include school districts despite the fact that it is extremely difficult to develop unemployment and fiscal needs data for them. Approximately 20 percent of the $2 billion was allocated to schools.
- The Economic Development Administration's scoring criteria as well as its method of treating these data contained a strong anti-urban bias. First, per capita income, worth 15 percent of an applicant's total score, was used to measure the extent of poverty or the level of affluence of the jurisdiction. However, no consideration was given to variations in the cost of living within a state. Urban areas, with characteristically higher per capita income due to the higher costs of living, were bound to score poorly on this criterion. To utilize per capita income alone, without some cost deflator, is a statistically invalid procedure.
- The treatment by EDA of the number of unemployed criterion, which accounted for 30 percent of the basic score of each application, was heavily biased against cities containing a high concentration of unemployed. EDA used a logarithm function for this criterion such that an applicant with 1,000 unemployed persons, for example, received one point while an applicant with 10 times that number, or 10,000 unemployed persons, received only two points, thus virtually nullifying the impact of large numbers of unemployed

on the final score. What this logarithmic technique effectively did was to give an unemployed person in a sparsely populated rural area job priority over urban unemployed persons.

Recommendations for Changes in the Law

Since we believe these to be the major program faults, the Conference of Mayors recommends the following legislative and administrative changes be made to meet the worthy intent of the Act of creating jobs in the economically hard-hit areas.

- Eliminate the requirement that 30 percent of the funds be spent in areas with less than the national rate of unemployment.
- Eliminate the provision which enables applicants to custom design project areas. Instead, require that numbers and rates of unemployment must be for the jurisdiction of the applicant. The Department of Labor has the necessary data to meet this requirement. It is being utilized in the Countercyclical Fiscal Assistance Program.
- Meet the intent of the Act by giving priority to applications from units of "general purpose local government", i.e., cities and counties. This could be accomplished by at least doubling the points now being given for these units.
- Eliminate per capita income as a measure of the extent of poverty. If extent of poverty is to be a valid selection criterion, then a more realistic proxy must

be used. Unless an urban income figure, deflated for cost of living, is used, this criterion should be eliminated from the selection process.

- Develop an evaluation and scoring process which reflects the importance of the numbers of unemployed as an indication of need. Prohibit the EDA from using such procedures as the logarithm technique which virtually nullified this extremely important criterion.
- Establish a procedure whereby the chief elected local official can indicate local priorities prior to awards being made.

Finally, it is critically important that we keep in mind the purpose of this program. President Carter and Congress have identified it as an effective tool to stimulate the economy. The Congressional Budget Office has identified it as one of the more effective job-creating programs. The Conference of Mayors, in its National Urban Investment Program, argues that public works can be an immediate fiscal stimulus. These arguments require, then, that two critical conditions be met in the second round of funding of the public works program.

First, the Economic Development Administration should give priority to those proposals already submitted and processed in order to address the inequities resulting from the first round of funding. The agency could easily re-score them according to changes in the new legislation. In this way, the public works program could get monies out quickly -- this fiscal year -- to communities to enable them to put people to work on vital public works projects.

Second, priority should be given to deferred maintenance kinds of projects. This would ensure the immediate injection of money into the spending stream and would guard against stimulating the economy far into the future at a time when it might not need stimulating. As I cited earlier, most of the cities of this country have essential capital needs going unmet because they lack the necessary local funds. These deferred maintenance projects -- street repair, water and sewer construction, public building maintenance -- can be implemented immediately. By giving priority to such projects, the federal government would not only be meeting vital urban needs but would be guaranteeing immediate economic stimulation.

Before concluding, I would like to comment on two provisions of the new piece of legislation which this Committee is considering. First, the requirement of a local match no matter how small should be striken from the bill. I have already cited survey results which document that cities across this country are laying off employees, raising local taxes and deferring essentially needed capital projects because they do not have adequate revenues. Where are we to get match money? The actions we are taking at the local level to keep our revenues and expenditures in line work against and drastically dilute federal actions to stimulate the economy. Now you would have us compound the problem by making further cuts personnel, additional deferrals of needed capital improvements or more tax increases to come up with a local match. I can assure you that if the recommendations we have given you today are incorporated into the new legislation, grant awards will be made to those jurisdictions which have the most urgent and pressing economic needs.

Second, the new youth community improvement employment program, Title II of the bill, is a worthy initiative. Youth employment in this country, especially in our urban centers, is indeed a crisis situation. The Conference of Mayors believes that the development of and implementation of a comprehensive youth employment program should be one of the 95th Congress' legislative priorities. However, we believe that any new programs for youths should be fully integrated with the training and counseling services already funded under the Comprehensive Employment and Training Act. We do not believe that the Economic Development Administration is the appropriate agency to manage such endeavors.

The present CETA mechanism cannot be ignored. CETA youth activities, the expertise prime sponsors have developed in program monitoring, labor market analysis, and direct services are not taken into account in the newly proposed legislation.

Instead of building upon demonstrated local efforts, already coordinated by the Mayor, new non-profit corporations with unclean authority and responsibility are created. The legislation does little to improve access to the private sector, strengthen the school/work transition, provide for a variety of skill training experiences consistent with local labor market needs, offer a progression of programs for youth of different ages, or deal with the closely allied needs in areas such as deliquency prevention, drug abuse, and child care. Any effort to quickly implement and effectively administer a youth program is best built on existing CETA structures.

Mr. Chairman, Members of the Committee. The Conference of Mayors must have some assurance of equitable funding for the nation's cities in the next round of grant allocations. We believe that the recommendations we have given here today will provide this assurance. The Conference offers its support and assistance to this Committee, the Congress, and the Administration in developing and implementing a program which addresses the immediate needs of the truly economically distressed areas of this nation. Thank you for the time you have given us today. I would now like you to hear from Mayor Alexander and Mayor Flaherty.

STATEMENT BY

THE HONORABLE LEE ALEXANDER
Mayor of Syracuse, New York
Vice-President of the
U.S. Conference of Mayors

Before the

SUBCOMMITTEE ON ECONOMIC DEVELOPMENT
OF THE SENATE COMMITTEE ON PUBLIC WORKS

February 3, 1977

Mr. Chairman:

I am Lee Alexander, Mayor of Syracuse, New York, and vice president of the United States Conference of Mayors.

First, I thank you for this opportunity to describe our experience with last year's emergency public works legislation. And as we urge the continuation and expansion of the program itself, we ask that you share some of our thoughts about the effectiveness of that program.

Perhaps most important is our heightened awareness of the chasm that can develop between the intention of Congress and the execution of the program.

My city, like many, found itself in the paradoxical position of being excluded from funding despite having an unemployment rate above the national average. Forty-five of the nation's 100 largest cities were so excluded--many having above-average unemployment rates.

In New York State alone it appears that nearly half the public works project funding went to communities whose rate did not exceed the national average. My own area, in which one of every three construction workers is unemployed, was deprived of up to 650 jobs.

It was not the intention of Congress that this happen. To us, it is clear that we were the victims of a defective distribution formula as well as a defective economy.

A major flaw was the preliminary assumption that 70 percent of the available funds would satisfy the legitimate request from areas with unemployment above the national average. And if 70 percent was enough, according to that reasoning, 30 percent would be left for areas whose unemployment rate did not exceed the national average.

The many cities excluded despite above-average unemployment rates stand as testimony to the error in that assumption.

This basic error was compounded by a formula that allowed some communities to be eligible to apply for funding in both categories. For example, communities with unemployment rates below the national average automatically were eligible to apply in the 30 percent category. But many of them also were eligible for the 70 percent category--a result of bookkeeping acrobatics that allowed them to attach themselves to neighboring areas with high unemployment rates.

Using this technique, many suburban New York City communities with relatively low rates simply placed themselves under the mantle of statistics for the entire New York City metropolitan area. This gave them a built-in advantage over the Syracuse-Utica area, for example, which had no vault of supplementary statistics--but which did have an umemployment rate higher than many of those New York City suburban jurisdictions.

Another source of distress was the use of "whole number unemployed" in the distribution formula. This made population a decisive factor. Obviously a high population area would have a greater number of unemployed than an area less populated. Just as obviously, an area with a lower population level could be in proportionately greater economic trouble. This imposed an immediate disadvantage on small labor market areas. Size outweighed need as a factor.

I emphasize that we have no opposition to New York City funding. Our concern is based on the New York City suburbs' ability to use New York City statistics as a measurement of their need when their own figures would have given them a much lower priority rating.

Further, there is no objection to suburban funding in true proportion to need. The objection is to a formula that allows suburban areas to present a distorted picture of their unemployment status.

A further limitation of funds for cities and counties resulted from the granting to school districts the same priority as general purpose local governments.

From this experience we have drawn some conclusions about preparing a mechanism for future funding.

First, the new distribution system should be redesigned from the beginning. The flaws that created last year's inequities must be completely eliminated if a fair distribution pattern is to be developed.

But there is a second important consideration: the damage already caused. It is not enough simply to start again. Damage should be repaired to the greatest possible extent.

This repair effort could be achieved by setting aside special funds for applications now on file from those major cities and counties whose unemployment rates exceed the national average. The applicable time period would be the same as that used by the Economic Development Administration in making the initial grants.

Another concern is the matter of local priorities. A chief executive is best able to determine which projects should be funded when a selection must be made. However, priorities set by local officials were not considered in last year's awards.

I have already mentioned the statistical distortion caused by allowing the marriage of a relatively prosperous suburban area to contiguous hard-core unemployment centers. This invites the presentation of a picture of economic distress that does not actually exist. Inevitably it siphons funds from areas of greater need.

The 30 percent allocation concept also should be discontinued, at least in its current form. The experience of 1976 provides overwhelming evidence for a system that gives absolute priority to areas with the highest unemployment levels.

It is important, too, to accelerate the distribution process so that new funding will be available for spring construction projects this year.

Further, we recommend a follow-through mechanism, a monitoring system. This is to assure that the unemployed who qualify a community for grants actually are included among those eligible for the jobs produced by those grants. For example, if a suburban community has used the unemployed of an adjacent area in its statistical portrait, those adjacent unemployed should be given access to the employment opportunity.

Special purpose districts should be eliminated from the eligibility list. All grants should be channelled through general purpose governments. Otherwise, less funding is available for cities and counties.

We suggest, also, that the grant program be extended to allow use of the funds for deferred maintenance projects. Last year's legislation, by prohibiting this, failed to recognize a serious need throughout the nation. Many cities, caught in the national economic squeeze, have been forced to postpone necessary maintenance activities, causing further deterioration and, ultimately, a greater need for extensive capital investment.

I re-emphasize the need to remember, in designing the current legislation, the huge bank of applications already on file. The eligibility level is high among those high-unemployment urban areas. In addition, help already has been delayed unfairly as a result of the inequitable distribution of last year's funds.

In summary, last year's program missed some very important targets. It provided valuable funding for many areas of high unemployment, such as New York and Detroit--whose status, incidentally, should be protected in subsequent legislation--but at the same time it created fiscal orphanages of many others.

The opportunity exists now to build on the experience of 1976. We urge that this experience be the foundation of a broad, balanced program of emergency public works projects.

My concluding request is that, in the final assembling of this legislative package, you will encourage the inclusion of a program of countercyclical funding. This, too, is a vital shock absorber for areas of high unemployment. Present funding is at a $1.25 billion level for a five-quarter period, beginning July, 1976, and ending in September this year. Because of persistent high unemployment, insufficient funds are authorized for the duration of the present program.

The importance of this hold-the-line mechanism cannot be overestimated. Without it, gains made through federal economic stimulation programs are erased. Countercyclical funding, then, is a way of insuring the investment made in these other programs.

We look forward to joining you as allies in this assault on a towering economic problem, confident that the partnership will bridge the intention-execution gap that created last year's casualties.

REFERRED TO BY MR. TRIMBLE, CONGRESS OF AMERICAN INDIANS

INDIAN RESERVATION DEVELOPMENT: REALITY OR MYTH?

RICHARD SCHIFTER
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Indian Reservation Development: Reality or Myth?

RICHARD SCHIFTER*

> An Indian reservation can be characterized as an open-air slum. It has a feeling of emptiness and isolation. There are miles and miles of dirt or gravel roads without any signs of human life. The scattered Indian communities are made up of scores of tarpaper shacks or log cabins with one tiny window and a stovepipe sticking out of a roof that is weighted down with pieces of metal and automobile tires. These dwellings, each of them home for six or seven persons, often have no electricity or running water—sometimes not even an outhouse. The front yards are frequently littered with abandoned, broken-down automobiles that are too expensive to repair and too much trouble to junk. . . .
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> The number of unemployed is striking. Everywhere there seem to be dozens of Indians standing or sitting around doing nothing . . . .[1]

The observations are those of Alan Sorkin, a research associate of the Brookings Institution, who visited the Indian country in the late 1960's, almost a decade after the Federal Government had embarked on a program of what has euphemistically been called reservation development. To Sorkin the picture was an altogether dismal one. The efforts of the Bureau of Indian Affairs and other federal agencies to improve the quality of life of the country's Indian population may have been well-meaning and moving in the right direction. But they were, Sorkin felt, far too puny to effect a significant improvement in economic and social conditions on the reservations.[2]

Neither Sorkin nor any other observer of American Indian affairs would question that the problems of poverty and deprivation on Indian reservations are so great that neither the Indian people themselves, acting alone, nor private institutions can be expected to solve them. Only the Federal Government has the resources needed to provide the Indian population with the opportunities available to the average American. It follows that no other segment of the population is as deeply concerned with the attitudes toward them of federal legislators and administrators and the resultant federal actions as are the American Indians.

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1. A. SORKIN, AMERICAN INDIANS AND FEDERAL AID 1-2 (1971).
2. *Id.* at 177-78.

I. Reservation Development in Perspective

There can be no doubt that the condition which Sorkin noted in his first impression of the Indian country is the one which pervades all aspects of Indian reservation life and distinguishes Indian communities from all others in this country: large-scale, paralyzing unemployment. At the depth of the Great Depression, Sorkin points out, when the American economic situation was felt to be desperate, the rate of male unemployment reached twenty-five percent.[3] Yet, Indian reservations have endured for decades a far higher rate of unemployment than did the country during the depression—a greater rate than has been experienced by any other substantial segment of the population at any other time. The following comparison of unemployment rates paints a vivid picture:

UNEMPLOYMENT RATE[4]

Year	Reservation Indians	Non-whites	All Males
1960	51.3%	10.7%	5.4%
1962	43.4	10.9	5.2
1965	41.9	7.4	4.0
1967	37.3	6.0	3.1
1969	40.0	6.4	2.8
1971	39.0	9.9	5.3

These figures illustrate that even though a beginning has been made in reducing reservation unemployment, a decade of "reservation development" has left the country, nonetheless, with so large a portion of the Indian population out of work that in any other setting it would be labeled catastrophic. This is not to say that some progress has not been made in recent years; the reduction in unemployment has been felt. The attitude of complete hopelessness and the fear of termination of all federal relations with Indian tribes—so all-pervading during the 1950's—have been replaced by a moderate optimism on the part of many Indian leaders who feel that federal assistance could indeed serve to improve the conditions of life around them. To those who observe today's conditions on Indian reservations in perspective, the tragedy is not the lack of answers to the problems of Indian poverty, but rather the timidity in applying answers already discovered.

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[3] *Id.* at 13.

[4] 1960-67: *Id.* at 12 and sources cited therein. 1969-71: Department of Commerce, Bureau of the Census, Current Population Survey (unpublished computer run-offs) (Non-Whites and All Males); Department of Interior, Bureau of Indian Affairs, Resident Indian Population, Labor Force, Unemployment and Underemployment (unpublished March 1970 and March 1972) (Reservation Indians).

A. The Rise and Fall of the Termination Policy

More often than not, changes in federal Indian policy have not coincided with changes in national leadership. Thus, the policy of termination—the severing of ties between the Federal Government and Indian tribes—was initiated by Congress and the executive branch during the latter years of the Truman Administration,[6] and continued during the early years of the Eisenhower Administration.[6] This policy reached its climax in 1953 and 1954, when the Eighty-third Congress endorsed the concept of termination[7] and enacted legislation providing for the extension of state law and order jurisdiction over selected Indian reservations,[8] and terminating federal relations with certain Indian tribes.[9]

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5. Dillon S. Myer, who served as Commissioner of Indian Affairs from May 8, 1950, to August 10, 1953, initiated a number of administrative measures aimed at termination of federal relations with Indian tribes.

6. During the Eisenhower years Indian policy came to be made in the office of the immediate superior of the Commissioner of Indian Affairs, the Assistant Secretary of the Interior for Public Land Management. Assistant Secretary Orme Lewis, who served from February 20, 1953, to September 15, 1955, strongly committed the Administration to termination. That approach also had the support of his successor, Wesley D'Ewart, who served from October 6, 1955, to July 27, 1956. However, the termination policies did not have the support of Hatfield Chilson, who served from October 29, 1956, to March 17, 1957, and were entirely repudiated by Roger Ernst, Assistant Secretary from June 10, 1957, to September 15, 1960.

7. *See* H.R. Con. Res. 108, 83d Cong., 1st Sess., 99 CONG. REC. 9968 (House approval), 99 CONG. REC. 10815 (Senate approval) (1953). The resolution was in its operative language no more than a declaration of the sense of Congress that certain specifically named Indian tribes should be terminated. It called upon the Secretary of the Interior promptly to submit draft legislation to accomplish that purpose. In 1954 some of the tribes named were, in fact, terminated. Others were not, and the question of terminating them was thereafter no longer given active consideration by the Congress. However, the language of the whereas clauses of the resolution were for some years relied on by the Department of the Interior as its "mandate" to end certain federal services to Indians. The clauses in question declared:

> Whereas it is the policy of Congress, as rapidly as possible, to make the Indians within the territorial limits of the United States subject to the same laws and entitled to the same privileges and responsibilities as are applicable to other citizens of the United States, to end their status as wards of the United States, and to grant them all of the rights and prerogatives pertaining to American citizenship; and
>
> Whereas the Indians within the territorial limits of the United States should assume their full responsibilities as American citizens . . . .

99 CONG. REC. 9968 (1953).

8. *See* Act of August 15, 1953, ch. 505, § 2, 67 Stat. 588, *as amended* 18 U.S.C. § 1162, 28 U.S.C. § 1360 (1970).

9. *See* the Termination Acts for the Alabama and Coushatta Tribes of Texas, 25 U.S.C. §§ 721-28 (1970); the Western Oregon Tribes, 25 U.S.C.

The termination policies reflected to a significant extent a lack of concern by policymakers for the problems and interests of disadvantaged minorities. But these policies were also supported to some extent by those more kindly disposed toward Indian problems. The latter group held to the view that Indians would be better off if they moved from the economically backward and socially isolated reservation areas to the employment centers in the large metropolitan areas of the country. Whether caused by one or both reasons, the termination policies called for an end to economic assistance to reservation Indians, an end of support to tribal governments, an end to restrictions on Indian land sales, and active encouragement to Indians to leave the reservations and "relocate" in cities such as Chicago, Minneapolis, Denver and Los Angeles.

The termination policy did not end with a bang; it gradually faded from view. The congressional termination drive was significantly attenuated from 1955 on; the Eisenhower Administration tended to de-emphasize curtailment of federal assistance to Indians after 1957. The failure of many Indians who had left reservations for the cities to make a successful adjustment began to trouble the advocates of relocation. By 1958, a new Assistant Secretary of the Interior, Roger Ernst, began to overrule the terminationist policy decisions of the Bureau of Indian Affairs. And, in an address on September 18, 1958, Secretary of the Interior Fred A. Seaton emphasized that he would not ask that federal relations with any tribe be ended without that tribe's consent:

> [I]t is absolutely unthinkable to me as your Secretary of the Interior that consideration would be given to forcing upon an Indian tribe a so-called termination plan which did not have the understanding and acceptance of a clear majority of the members affected.[10]

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§§ 691-708 (1970); the Utah Bands of Paiutes, 25 U.S.C. §§ 741-60 (1970); the Klamath Tribe, 25 U.S.C. §§ 564-564x (1970); the Menominee Tribe, 25 U.S.C. §§ 891-902 (1970); and the Mixed-Blood Utes, 25 U.S.C. §§ 677-677aa (1970).

[10] Reprinted at 105 CONG. REC. 3105-06 (1959). In spite of Secretary Seaton's repudiation of termination, the view persisted in the Administration, in the Congress, and among Indians that in order for the termination policies to be formally ended it would be necessary for the Congress to adopt a resolution rescinding H.R. Con. Res. 108, 83d Cong., 1st Sess., 99 CONG. REC. 9968 (1953) (*see* note 7 *supra*). Consequently, on March 8, 1961, the author of this Article addressed a letter to Secretary Seaton's successor as Secretary of the Interior, Stewart L. Udall, calling attention to the fact that a concurrent resolution which, by definition, is not subject to presidential review, can never be the law of the land because article I, section seven, of the Constitution provides that actions which constitute the law must be presented to the President for approval or disapproval. Secretary Udall's attention was also called to the statement in 7 CANNON'S PRECEDENTS OF THE HOUSE OF REPRESENTATIVES OF THE UNITED

As congressional support of termination waned, attention turned increasingly to the concept of reservation development, a concept strongly supported by the spokesmen of Indian tribes. In 1956, Senator James E. Murray (D., Mont.), Chairman of the Senate Interior and Insular Affairs Committee, introduced a Concurrent Resolution which called upon the Federal Government to initiate on Indian reservations programs of economic development assistance similar to those which had become a part of the country's foreign aid programs.[11] Though the resolution was never acted on, it served as a rallying point for those who wanted the Federal Government to consider an alternative to termination.[12] By 1959, the resolution had given rise to a spate of new concurrent resolutions. One set of such resolutions, though less outspoken in making an affirmative commitment to Indian development, nevertheless set the goal of federal policy to be "that of eventually attaining a position of parity for Indians with other Americans, socially and economically."[13] Another set would have had Congress endorse a more gradual termination approach, but also called for "Indian tribes and groups [to] continue to receive appropriate Federal aid as required in order to attain a position

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STATES § 1037 that "[a] concurrent resolution is without force and effect beyond the confines of the Capitol." The Secretary responded on April 15, 1961, as follows:

> I most certainly agree that resolution, whatever it meant, died with the 83rd Congress and is of no legal effect at the present time. It is my belief that further discussion of it is futile and that we should be devoting ourselves instead to the opportunity we now have to develop programs with the Indians which will help them improve their lives.

[11] *See* S. Con. Res. 85, 84th Cong., 2d Sess. (1956). Introduced on July 6, 1956, the resolution declared it to be "the understanding of Congress that its responsibility in the American Indian problem cannot be fulfilled by the dispersal of Indian communities, but by the continuous development of their human and economic potential" and provided that "the Bureau of Indian Affairs shall be, by definition, an agency to assist American Indian communities in the United States, and the governing program of the Bureau of Indian Affairs shall be an American Indian point 4 program." ("Point 4," taken from a speech by President Truman, was a term then in vogue, describing the foreign technical assistance program.)

[12] In 1957 the resolution was re-introduced by Senator Murray as S. Con. Res. 3, 85th Cong., 1st Sess. (1957) and a companion resolution was introduced in the House of Representatives by Rep. George S. McGovern (D., S.D.) as H.R. Con. Res. 160, 85th Cong., 1st Sess. (1957). In 1959 the resolution was sponsored by Sen. Eugene J. McCarthy (D., Minn.) as S. Con. Res. 36, 86th Cong., 1st Sess. (1959), and by Rep. George S. McGovern as H.R. Con. Res. 40, 86th Cong., 1st Sess. (1959).

[13] S. Cong. Res. 12, 86th Cong., 1st Sess. (1959). This formulation was a compromise between such strong supporters of the Indian point of view as Senator Murray and other members of Congress less supportive of the Indian position, such as Senator Richard L. Neuberger (D., Ore.). The resolution was also co-sponsored by Senators Mansfield (D., Mont.), Chavez (D., N.M.), McCarthy (D., Minn.), Gruening (D., Alaska), Church (D., Idaho), Douglas (D., Ill.), Goldwater (R., Ariz.), and Langer (R., N.D.). In the House of Representatives the resolution was sponsored by Rep. Anderson (D., Mont.) as H.R. Con. Res. 92, 86th Cong., 1st Sess. (1959); by Rep. Metcalf (D., Mont.) as H.R. Con. Res. 93, 86th Cong., 1st Sess. (1959); and by Rep. Ullman (D., Ore.) H.R. Con. Res. 173, 86th Cong., 1st Sess. (1959).

of parity with other citizens of their respective States socially, economically, and in terms of education and health."[14]

The end of Indian termination policies and the beginning of an emphasis on reservation development was underlined by both candidates in the 1960 presidential election. Senator Kennedy pledged himself "to a program of development of Indian communities, as suggested in the 'Indian Point 4' program."[15] Vice President Nixon declared it to "be wholly unwise and unjustified for the Federal Government to terminate its special relations with any Indian tribal group unless such a plan is fully understood and accepted by the group that it would be affecting," and urged that Indian people be given "help . . . in consolidating their land holdings into more productive economic units and in protecting Indian owners."[16]

B. *The Development Policy's Words and Deeds*

Significantly, Senator Kennedy stressed in his 1960 Indian policy statement the need to initiate new programs of assistance to the needy and disadvantaged in general, and to ensure that Indians had a full opportunity to share in these programs.[17] Upon his succession to office, that was indeed the major theme of his Administration's Indian policy. While the programs and budgets of the Bureau of Indian Affairs did increase,[18] the major departure from past policy was that a variety of federal agencies, both old and new, began dealing directly with Indian tribes and rendering economic assistance to Indian people. There was now an opportunity for reservation Indians to live in new and sanitary housing, with the help of the Public Housing Administration,[19] to attract and develop local industry, with funds from the Area Redevelopment Administration,[20] and to find employment in reservation-based job programs, through the Public Works Acceleration program.[21]

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[14] S. Con. Res. 28, 86th Cong., 1st Sess. (1959). The resolution was cosponsored by Senators Anderson (D., N.M.), Hayden (D., Ariz.), Goldwater (R., Ariz.), Allott (R., Colo.), Kuchel (R., Calif.), Bible (D., Nev.), O'Mahoney (D., Wyo.), Bennett (R., Utah), and Case (R., S.D.). It was sponsored in the House of Representatives by Rep. Berry (R., S.D.) as H.R. Con. Res. 165, 86th Cong., 1st Sess. (1959).

[15] THE SPEECHES, REMARKS, PRESS CONFERENCES, AND STATEMENTS OF SENATOR JOHN F. KENNEDY, AUGUST 1 THROUGH NOVEMBER 7, 1960, *reprinted as* S. REP. NO. 994, 87th Cong., 1st Sess., pt. 1, at 800-03 (1961) [hereinafter cited as THE SPEECHES].

[16] Statement of Vice President Nixon, released to Association on American Indian Affairs, November 1, 1960.

[17] "We would . . . enact an Area Redevelopment Bill . . . make the benefits of the Federal housing programs available to Indians . . . give young Indian people full opportunity to participate in a Youth Conservation Corps . . . ." THE SPEECHES, *supra* note 15, at 800-03.

[18] The last Bureau of Indian Affairs budget of the Eisenhower Administration, that for fiscal year 1961, provided $90,642,000 for operations and $28,715,000 for construction. Act of May 13, 1960, Pub. L. 86-455, 74 Stat. 104. The budget for fiscal year 1962, prepared under President Eisenhower but modified by President Kennedy, allowed $104,073,000 for operations and $55,561,000 for construction. Act of Aug. 3, 1961, Pub. L. 87-122, 75 Stat. 246. The first all-Kennedy budget, for fiscal year 1963, provided $124,600,000 for operations and $69,775,000 for construction. Act of August 9, 1962, Pub. L. 87-578, 76 Stat. 335. The sharp climb in the construction items reflected the commitment of the Kennedy Administration to provide school rooms for all Indian children.

The Bureau of Indian Affairs was pledged to work in close collaboration with these other agencies. It, too, was now committed to economic development of Indian reservations as its foremost goal. The Bureau's new mission was defined in the report of the Task Force on Indian Affairs appointed by Secretary of the Interior Stewart L. Udall early in 1961. The report urged that the Bureau of Indian Affairs adopt as its objectives: "1. Maximum Indian economic self-sufficiency. 2. Full participation of Indians in American life. 3. Equal citizenship privileges and responsibilities for Indians."[22] The Task Force stressed that "[f]oremost among the tasks which must be performed if the objectives are to be achieved is the provision for Indians of employment opportunities which will help make it possible for them to provide many of the necessities of life which they now lack, or which are provided for them on a welfare basis."[23]

This new approach to federal Indian policy, the channeling of federal assistance to Indian reservations through a variety of federal agencies rather than exclusively through the Bureau of Indian Affairs and the Indian Health Service,[24] and the emphasis upon economic development of reservation areas, an approach initiated in 1961 under President Kennedy, has been followed by the Johnson and Nixon Administrations as well. President Johnson, in announcing the War on Poverty in his 1964 State of the Union Message, made specific reference to the fact that this "War" had to be carried to the Indian country.[25] The Office of Economic Opportunity, established[26] pursuant to President Johnson's recommendations, quickly developed a close relationship with the reservation communities, and that relationship is preserved today. Important new economic improvement programs which reached the Indian reservations during the Nixon years were those established under the Emergency Employment Act[27] and those providing for tribal land purchases under the auspices of the Farmers Home Administration.[28] Looking to the immediate future, one can assume that reservation economic development will also be encouraged by funds which will flow to Indian tribes under the provisions of the Revenue Sharing Act,[29] a law which was amended on the floor of the Senate expressly to make Indian tribes eligible for its benefits.

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[19] It turned out that new legislation was not needed to provide Indian tribes with the assistance necessary to construct low-income housing. Chief Counsel Joseph Burstein of the Public Housing Administration rendered an opinion in 1961 which held that an Indian tribe was a "governmental entity or public body" within the meaning of section 2(11) of the United States Housing Act of 1937, 42 U.S.C. Sec. 1402(11) (1970), and thus eligible for assistance under that Act.

[20] The Area Redevelopment Act, Act of May 1, 1961, Pub. L. 87-27, 75 Stat. 47, contained numerous explicit references to Indian tribes, making them clearly eligible for the benefits available under the new law.

[21] These programs were initiated under the Public Works Acceleration Act, Act of Sept. 14, 1962, Pub. L. 87-658, 76 Stat. 541 (codified in scattered sections of 40 & 42 U.S.C.), construed in conformity with the Act of Oct. 15, 1962, Pub. L. 87-808, § 2, 76 Stat. 920.

[22] Department of Interior, Task Force on Indian Affairs, Report to the Secretary of the Interior 8-9 (Jul. 10, 1961).

[23] *Id.*

[24] The Indian Health Service had been split off from the Bureau of Indian Affairs and lodged in the United States Public Health Service, effective July 1, 1955. *See* Act of Aug. 5, 1954, ch. 658, 68 Stat. 674, *as amended* 42 U.S.C. §§ 2001-04(a) (1970).

Although federal assistance now reaches Indian reservations from a variety of agencies, the greatest amounts continue to come from the Bureau of Indian Affairs and the Indian Health Service, as can be seen from the following tabulation of expenditures projected for fiscal year 1973:[30]

Bureau of Indian Affairs	$ 541,896,000
Indian Health Service	217,297,000
Department of Agriculture	23,298,000
Department of Commerce	30,969,000
Corps of Engineers (Department of Defense)	29,375,000
Office of Economic Opportunity	56,029,000
Office of Education (Department of Health, Education and Welfare)	46,025,000
Department of Housing and Urban Development	34,800,000
Department of the Interior (exclusive of BIA)	22,247,000
Department of Labor	6,202,000
Small Business Administration	19,826,000
	$1,027,964,000

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[25] "[O]ur joint Federal-local effort must pursue poverty, pursue it wherever it exists, in city slums and small towns, in sharecropper shacks or in migrant worker camps, on *Indian reservations* . . . ." State of the Union Address of President Johnson, Jan. 8, 1964, in 110 CONG. REC. 113-14 (1964) (emphasis added).

[26] Act of Aug. 20, 1964, Pub. L. 88-452, 78 Stat. 508, *as amended* 42 U.S.C. § 2701 *et seq.* (1970).

[27] 42 U.S.C. § 4871-83 (Supp. I. 1971).

[28] *See* 25 U.S.C. § 488-92 (1970).

[29] Act of Oct. 20, 1972, Pub. L. 92-512, 86 Stat. 919.

[30] The figures for the Bureau of Indian Affairs and the Indian Health Service are contained in the fiscal year 1973 Appropriations Act for the Department of the Interior and Related Agencies. Act of Aug. 10, 1972, Pub. L. 92-369, 86 Stat. 508. The figures for the other agencies are taken from S. REP. No. 921, 92d Cong., 2d Sess. 5 (1972).

With such extensive funds flowing into the Indian country from a variety of federal agencies, why, one is bound to ask, are economic conditions as bad as described earlier in this Article? The simple answer is that a substantial amount of the federal money allocated to the Indian country merely provides for public services which would otherwise be funded by state and local governments (such as education, welfare and roads), and that some amounts may not be spent wisely. Furthermore, the amount earmarked for economic improvement is simply not large enough to attain the goals which the Federal Government set for itself more than a decade ago.[31] It is now clear that, after their way of life was largely destroyed in the nineteenth century, a great many Indian people were so socially and economically handicapped as compared to the rest of the population that a far more massive assistance effort than any yet undertaken was needed to elevate them to the level of well-being enjoyed by the rest of the country.

That a determined effort by a federal agency, supported by adequate congressional funding, can greatly improve the conditions of life in the Indian country is aptly demonstrated by the record of the Indian Health Service. Between 1955 and 1968, that agency, which by law renders cradle-to-the-grave medical care to Indians living on reservations, reduced the rate of Indian infant deaths by fifty-one percent, of maternal deaths by fifty percent, of influenza and pneumonia by forty-five percent, of deaths from tuberculosis by seventy-nine percent, of deaths from gastroenteric illnesses by sixty percent.[32] Most significantly, the Indian infant death rate during the first six days of life, when most Indian children are in Health Service hospitals, is now *below* the national infant death rate.[33]

This last-mentioned fact and some related figures demonstrate, however, what the limits of effectiveness of the Indian Health Service are. Though the Indian infant death rate for the first six days of life is below the national average, the Indian infant death rate from the age of seven days to eleven months is more than 2.5 times the national average. As the Director of the Indian Health Service, Dr. Emery A. Johnson, has explained, death for these children is caused "by the environment into which the child returns, the problems of nutrition, housing, social isolation, and a whole series of things which simply provide in a sense a hostile environment."[34]

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[31] *See* text accompanying notes 22 & 23 *supra* for the goals stated by the Department of Interior's Task Force on Indian Affairs in 1961.

[32] *Hearings on the Dep't of the Interior and Related Agencies Appropriations for 1973 before a Subcomm. of the House Comm. on Appropriations*, 92d Cong., 2d Sess., pt. 2, at 430 (1972) [hereinafter cited as *Hearings*].

[33] *Id.* at 436.

The hostility of the environment is also reflected in the high incidence of deaths related to emotional problems: the death rate from suicides is seventy percent above the national average, from accidents 270 percent higher, and from cirrhosis of the liver 330 percent higher.[35] Also, even after phenomenal improvements were achieved in the treatment of physical illnesses, the Indian death rate exceeds the national rate from influenza and pneumonia by eighty percent, from gastroenteric diseases by 200 percent and from tuberculosis by 520 percent.[36]

To achieve the goal of good health standards for Indians, the Public Health Service recognized, when it began its mission in the Indian country, that it was necessary to provide more than merely improved medical care. In 1957, shortly after it undertook the task of caring for the health of Indian people, the Service published a comprehensive study which contained the following prophetic observations:

> To achieve good health, Indians need more than measures aimed directly at disease prevention and control. They need better general education, vocational training, housing, food, roads, and means of transportation. They need more understanding and acceptance by the rest of the population, particularly their own non-Indian neighbors. They also need adequate economic opportunities.
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> These social and economic requirements of Indians cannot be evaluated precisely by the Public Health Service, nor are they within the scope of responsibility of the Service. Better health is as much dependent on their solution as it is on an adequate health program.[37]

Fifteen years after these words were written, and after substantial improvements had been effected in the quality and quantity of Indian medical care, Dr. Johnson used almost identical words when he told a congressional committee that "to achieve our goal of obtaining the highest possible level of health for Indian people" it was necessary to develop "the economic, social, [and] educational resources on the reservation."[38] He emphasized that "no amount of medical care alone is going to resolve the basic problems in the health status of Indian people."[39] He pointed to the high rate of self-destruction in the age group between twenty and thirty-four, and attributed it to "frustration, the sense of hopelessness, [and] the lack of opportunities."[40] Thus, after years of extraordinarily successful efforts to combat disease on Indian reservations, the Health Service is still confronted with the most serious problem affecting Indian health and all other aspects of Indian life: economic deprivation.

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[34] *Id.* at 444.

[35] *Id.* at 465.

[36] *Id.*

[37] INDIAN HEALTH SERVICE, HEALTH SERVICES FOR AMERICAN INDIANS 3 (1957).

[38] *Hearings, supra* note 32, at 442. Dr. Johnson's views are entitled to great weight. Before assuming the directorship of the Indian Health Service in 1969, he served for twelve years in other capacities in the Service, and was for most of that period in the field. *Id.* at 421. He is generally considered extraordinarily knowledgeable on matters of Indian health.

One would assume that during administrations committed to reservation development, economic improvement programs would constitute the primary mission of the federal agency most directly concerned with service to Indians, the Bureau of Indian Affairs. Such is not the case. About fifty percent of the appropriations for the Indian Bureau is earmarked for education. Another twenty-five percent is devoted to welfare services, roads, and the repair and maintenance of buildings. Only a relatively small share of the Bureau's budget is expended on programs with the goal of putting people to work.[41]

To be sure, other federal programs in the Indian country, such as those sponsored by the Office of Economic Opportunity, the Department of Commerce and the Small Business Administration, encourage the economic development of Indian reservations. Yet, all these efforts are uncoordinated and disjointed. While they have succeeded in providing opportunity for a few and, perhaps, a feeling of encouragement and hope for a somewhat greater number, they have totally failed to alleviate the Indians' greatest handicap: crippling unemployment. In fact, despite the commitments of three administrations to the concept of reservation development, no concerted, massive effort has as yet been undertaken to reduce Indian unemployment to a level which will end enforced idleness as the major characteristic of Indian reservation life.

C. *The 1966 Presidential Task Force Proposals*

It is not that the need for a comprehensive program to improve Indian life has not been recognized. As previously noted, the Task Force on Indian Affairs appointed by Secretary of the

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[39] *Id.* at 445.

[40] *Id.* at 447.

[41] The appropriation for fiscal year 1973 provides $42,427,000 for employment assistance and $17,362,000 for agricultural and industrial assistance. A share of these funds is used for overhead and management rather than for direct payments to Indians. *See* Act of Aug. 10, 1972, Pub. L. 92-369, 86 Stat. 508.

Interior Udall in 1961 called for a comprehensive program to provide employment opportunities for Indian people.[42] The President's Task Force on Indian Affairs appointed by President Johnson in 1966 to study federal Indian policy quickly came to the same conclusion. Because the findings and recommendations of the Task Force are as relevant and applicable today as they were when first submitted to President Johnson, and because they have never been made public, they are set forth here at some length. In introducing the problem and summarizing its proposed solution, the Task Force made the following observations:

> Despite almost a century of pressure on the U.S. Indians to get assimilated as if they were immigrants, large numbers have not done so. By thus failing to give up their Indian identity, they have had to pay the price of foregoing most of the benefits of a modern society, and it is this that constitutes "the Indian problem" today. Viewed in cold quantitative terms, the problem is deceptively small for it embraces only about 600,000 people. What makes the problem formidable is not its size but its nature. For it is made up of generous portions of just about every major social problem of the day: self-sustaining rural poverty; slum diseases; chronic unemployment of almost half the Indian men; race prejudice; an imperfectly adapted school system; non-Indian feelings of guilt; and virtually all of the complex questions involved in international development. But in the Indian situation, these individual problems form a blend that is unlike any of the others, taken by itself. In short, the Indian problem is a problem all its own.
>
> There are some who believe this problem is unsoluble and that some form of Indian coexistence on a sort of welfare basis is the best that can be expected. The Task Force disagrees. It is impressed that the Indian people wish to share in the benefits of a technologically based society. The record is abundantly clear that the individual Indian boy or girl has the same potential capabilities as anyone else; and there is plenty of good will on both sides. Gains have been made; and, especially in the past five years, there have been some exciting examples of Indian successes in economic development. But the over-all pace is slow and when the situation is closely examined, it is clear that to a considerable extent it is frozen.[43]

Turning specifically to the problem of economic development, the Report to the President noted:

> The Task Force believes, therefore, that at present the central emphasis should be on creating jobs on or near reserva-

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[42] *See* text accompanying notes 22 & 23 *supra*.

[43] REPORT OF THE PRESIDENT'S TASK FORCE ON INDIAN AFFAIRS, A FREE CHOICE PROGRAM FOR AMERICAN INDIANS 1-2 (January 1967) (unpublished copy in possession of author).

> tions. At the present time, approximately 50,000 reservation Indians are unemployed, and in ten years population growth will require at least 10,000 more jobs. Such jobs can come primarily from three sources: (1) private (non-Indian) manufacturing plants that locate on or near reservations; (2) creation of Indian owned and operated (either individually or tribally) businesses on reservations; and (3) housing and other public works construction programs.[44]

To provide these incentives, the Task Force recommended an employment tax credit and a special depreciation allowance for industries agreeing to locate on Indian reservations.[45] Moreover, the creation of an Indian National Development Corporation was suggested; such an organization would provide credit for reservation enterprises on attractive terms and would lead the effort to elevate Indian reservations to the level of economic well-being enjoyed by this country as a whole.[46] To enable Indians to play key roles at all levels of the reservation economic development effort, the Task Force further recommended an expanded Indian leadership and adult vocational education program.[47] Finally, recognizing that no comprehensive economic development program can be expected to achieve immediate results, the Task Force urged the creation of "a combined on-the-job training and public works program to provide immediate employment on Indian reservations and to upgrade the skills of many of the unskilled unemployed."[48]

Though the members of the Task Force were concerned with the substance of the proposed federal Indian programs, not with their form, several presidential advisers who had urged the creation of the Task Force may have been more interested in obtaining an endorsement supporting a transfer of the Bureau of Indian Affairs from the Department of the Interior to the Department of Health, Education and Welfare.[49] They did, in fact, obtain such an endorsement from the Task Force. The Secretary of the Interior, Stewart L. Udall, who had been by-passed in the creation of the Task Force, responded in typical bureaucratic fashion: he fought back by drafting his own program.

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[44] *Id.* at 17-18.

[45] *Id.* at 19-24.

[46] *Id.* at 24-38.

[47] *Id.* at 39-43.

[48] *Id.* at 43-44.

[49] The author of this Article served as a member of the White House Task Force. It was his impression that officials of the Bureau of the Budget had concluded that the Bureau of Indian Affairs should be transferred to the Department of Health, Education and Welfare, and that they had convinced the Special Assistant to the President, Joseph A. Califano, Jr., of the wisdom of the transfer. Califano then apparently arranged for the appointment of the Task Force in the expectation that its report would serve as a basis for the bureaucratic reorganization of the Indian Bureau. The Task Force itself was far more interested in the substance than in the form of the Indian program, but it was its recommendation on the transfer which gave the Task Force report some notoriety. *See* "Panel Asks Shift of Indian Bureau," N.Y. Times, January 28, 1967.

In the Byzantine machinations which often influence the course of government, Secretary Udall came out ahead; the Task Force report was shelved and the Interior Department's plan was submitted to Congress as the Indian Resources Development Act of 1967. It contained a few highly useful provisions, such as an authorization of $500,000,000 to be appropriated over a five year period for Indian loans and loan guaranties. It also contained a hodge-podge of other provisions dealing with creation of Indian corporations, management of Indian property, mortgaging, and relinquishment of tribal membership, all of which tended to confuse Indian people and to detract from the main theme of the proposal. The bill was introduced in Congress as a matter of courtesy by the Committee Chairmen, Senator Jackson in the Senate and Representatives Aspinall and Haley in the House.[50] But with the constituency for whose benefit the proposal was intended doubtful and divided, the Indian Resources Development bill died in committee.[51]

Following the inauguration of President Nixon, almost a year and a half passed before Indian policy again received attention at a high level of government. In his message to Congress of July 8, 1970, the President made it clear that he endorsed the principle of a comprehensive Indian program:

> We are proposing to break sharply with past approaches to Indian problems. In place of a long series of piecemeal reforms, we suggest a new and coherent strategy. In place of policies which simply call for more spending, we suggest policies which call for wiser spending. In place of policies which oscillate between the deadly extremes of forced termination and constant paternalism, we suggest a policy in which the Federal government and the Indian community play complementary roles.[52]

Regrettably, this bold rhetoric was not followed by an equally bold blueprint for action.[53] What President Nixon offered in his message, and what his Administration has offered in its program has been a continuation of the policies and programs of the Kennedy and Johnson Administrations, with only minor cosmetic changes. Indians are no doubt grateful both for the Administration's affirmation of its commitment to reservation development rather than to termination, and for its continuation of the modest efforts to improve living conditions in the Indian country. Nevertheless, the "new and coherent strategy" announced on July 8, 1970, remains a mirage.

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[50] *See* S. 1816 & H.R. 10560, 90th Cong., 1st Sess. (1967).

[51] House hearings were held on July 13, 1967, and Senate Hearings on May 15, 1968. Neither committee took any action on the proposal.

[52] 6 WEEKLY COMPILATION OF PRESIDENTIAL DOCUMENTS No. 28, at 894 (July 13, 1970).

[53] The specifics in the President's "new and coherent strategy" were (1) a repudiation of termination policies—which had previously been repudiated by the Eisenhower, Kennedy and Johnson Administrations; (2) a pledge to transfer the administration of Indian programs to Indians—an undertaking which has not as yet had any significant consequences as far as the lives of most reservation Indians are concerned; (3) support of a bill to restore the Blue Lake

II. THE SOLUTION: AN INDIAN EMPLOYMENT ACT

As previously suggested in this Article, the foundation of any "new and coherent strategy" in the field of Indian policy must be an employment program. Experience has shown that the work ethic is as much an ingredient of Indian life as it is of the life of any other segment of American society.[54] Indian leaders have repeatedly emphasized the enormous popularity on Indian reservations of the work and service programs such as those initiated by the Civilian Conservation Corps in the 1930's, by the Public Works Acceleration Program in the early 1960's and by the Emergency Employment Act of 1971. Such programs tend to bring an element of at least temporary security and stability to a community haunted by the debilitating social consequences of idleness.

As the White House Task Force of 1966 pointed out, what makes the Indian problem so formidable is not its size but its nature; it contains so many of the problems of American society all

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area to the Pueblo of Taos—a promise, which soon resulted in enactment of a bill (Act of Dec. 15, 1970, Pub. L. 91-550, 84 Stat. 1437) of great importance to the Pueblo of Taos, but of no significance to any other Indian group; (4) a pledge to give Indians control over money expended on the education of Indian children in the public schools—of interest to some Indians, but dealing with only a small portion of the money expended on Indian education; (5) expansion of the Indian Revolving Loan Fund and new program of Indian loan guarantees and loan insurance—a replay of the Udall proposal of 1967 with somewhat more modest numbers; (6) a ninety-nine year land lease law—which any tribe has been able to obtain for itself on a reservation-by-reservation basis without difficulty; (7) a modest increase in the Indian health program—no different from what had happened annually for many years; (8) help to urban Indians—through counseling; (9) a Trust Counsel Authority, to act for the United States as trustee in protecting the land and water rights of American Indians—a useful idea but hardly one which would have an early impact on the lives of any large number of Indian people; and (10) creation of the office of Assistant Secretary for Indian and Territorial Affairs—a bureaucratic reshuffle of minor significance.

[54] The Indian experience does not differ from the experience of other poor groups in our society. A recent Brookings Institution study concluded that welfare recipients have life expectations as high as those of steadily employed persons and have essentially the same work ethic as do middle-class people. *See* L. GOODWIN, POOR PEOPLE AND PUBLIC POLICY, BROOKINGS RESEARCH REPORT No. 129, at 3 (1972).

rolled into one. But because the numbers involved are small when compared to the population of the country as a whole, the funds necessary to provide a solution could be easily secured. Moreover, the solutions developed in dealing with the problems of unemployment on Indian reservations could well be applied to similar problems found in other groups of chronically unemployed persons. The Indian microcosm can thus serve as a laboratory for testing and proving the effectiveness of programs potentially applicable to other segments of society.

To make the kind of impact on Indian communities which would truly alleviate the despair permeating most Indian reservations, an employment program must be massive and must reach a majority of families simultaneously. While it may well be true that the long-range future for employable Indians lies in the private sector of the economy, it must be recognized that programs both to increase Indian employment in agriculture and to bring industry to the Indian country have been in existence for years with only limited success. Few industrial establishments have been sufficiently venturesome to move to the Indian country, and fewer still have remained for any appreciable period of time. In agriculture, the amount of money required to create a viable economic enterprise for a single family is so great that the limited funds available have permitted only a handful of Indians to establish such enterprises. Moreover, for a great many persons with long histories of unemployment, the greatest barrier to steady employment is the fear of failure.[55] The jobs offered to such culturally disadvantaged persons should, therefore, make relatively simple demands on them, and the employment program should allow an employee to be rehired who has absented himself from his job without leave. It may be difficult, if not impossible, to provide such flexibility in the private sector of the economy, but a simple program of public works and services could indeed offer it.

Public works and service programs can easily tailor specific job assignments to the needs of the community and to the competence of the individual employees. They could provide the largest number of jobs per dollar spent and could provide them immediately. And, as indicated before, Indian leaders have emphasized that works programs conducted in the past have succeeded in launching a great many reservation residents into useful, productive careers. Many Indians may ultimately find their way into the private sector of the economy. But, even for those who never do, the program will have fulfilled a useful purpose if enforced idleness has been replaced by work experience. Even in those cases in which a reservation resident cannot be successfully prepared for a job outside the public works program, the security and stability, and the attitude toward work which such an experience introduces into the home will at least make it more likely that his children will attain a higher rung on the economic ladder. The chain of welfare dependence, which often stretches from generation to generation, can thus be broken.

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[55] "Poor people having the strongest work ethic show the greatest lack of confidence. Since poverty reflects failure in the work world, those who most closely identify their self-esteem with work lose the most confidence when they fail." *Id.* at 4.

The March 1972 unemployment report of the Bureau of Indian Affairs shows that 63,128 reservation Indians are unemployed and that 29,192 more are underemployed.[56] To effect the needed major improvement in this situation, the Federal Government should underwrite 30,000 jobs for a period of not less than five years. Such a program should be designed to find useful duties for a large number of unskilled people, many of whom will have to develop regular work habits for the first time. The multiplier effect on the reservation, caused by the infusion of additional purchasing power, is likely to create additional jobs in the small, private sector of the reservation economy, largely in commerce and service industries. Just how many private-sector reservation jobs would be created by 30,000 public-works jobs is difficult to predict. Once the job program has begun to operate, however, its impact on the private sector of the reservation economy should be measured and, as the results become evident, the program could be modified to take them into account.

How much would the program cost? If it were decided that the hourly wage including fringe benefits was to be $2.00, the entire wage bill for 30,000 jobs would be approximately $125,000,000 annually. Allowing for materials, equipment, supervision and administrative costs, the total appropriation should be around $150,000,000.

If the Administration decided to initiate an Indian public works and public service program, it could, theoretically, implement it by simply requesting an appropriation for that purpose.[57] Sufficient authority to operate the program is contained in the broad grant of discretion to the Commissioner of Indian Affairs found in current federal law.[58] However, because of the magnitude of the proposed program and its possible implications for the solution of unemployment problems in other parts of our society, it may well be desirable to enact special legislation authorizing Indian public works and public service jobs.

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[56] Department of the Interior, Bureau of Indian Affairs, Estimates of Resident Indian Population and Labor Force Status by State and Reservation (March 1972).

[57] The new approach of the Nixon Administration to social welfare, announced after this Article had been completed, makes it highly unlikely that such a request will be made.

The proposed Indian Employment Act should authorize the expenditure of $150,000,000 annually for at least five years on Indian reservations which have an unemployment rate of six percent or more. The basic standards and administrative provisions of such a special law should be patterned after the Emergency Employment Act of 1971.[59] Most importantly, the employment programs should be operated by the tribes, with such technical assistance from the Federal Government as they may request. The law should further provide for the continuing evaluation of the program, to measure its impact on welfare assistance, law and order problems generally, and juvenile delinquency in particular. Its effect on illnesses, including especially mental illnesses and alcoholism, and on fatal accidents should also be evaluated. There should in addition be an effort to measure the educational performance of children from families whose adult members have found employment under the new program.

The data produced by the foregoing evaluation will make it possible to compute the true cost of the employment program. If the investment of $150,000,000 per year resulted in a reduction of welfare benefits, in a reduction of commitments to penal and mental institutions, and in an upswing of economic conditions on the reservations, yielding additional tax revenues, then these figures would be set off against the public works appropriation in computing the net cost of the program.

As the first five-year period of operation under the Indian Employment Act draws to a close, a complete assessment of its accomplishments should be made to determine the appropriate course of action for a second five-year period. By then, it is hoped, sufficient improvement in social and economic conditions on Indian reservations will have been achieved to justify fully the program's existence. Nevertheless, it is unlikely that, by such time, so firm a foundation for the private sector of the reservation economy will have been laid as to permit discontinuance of the program. But there should be, at the end of five years, clear evidence of a good beginning toward a self-supporting economy, indicating that, while the program should be continued for another five years, it may thereafter be possible to phase it out gradually.

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[58] "The Commissioner of Indian Affairs shall, under the direction of the Secretary of the Interior, and agreeably to such regulations as the President may prescribe, have the management of all Indian affairs and of all matters arising out of Indian relations." 25 U.S.C. § 2 (1970).

[59] 42 U.S.C. §§ 4871-83 (Supp. I, 1971).

What would be the nature of the public works and public service jobs? They might differ from reservation to reservation, but generally they could cover hospital attendants, classroom aides, soil and moisture conservation work, road and trail building, and construction of tourist facilities. Thus, while providing employment for a great many Indian people, these jobs would by no means be of the leaf-raking variety. They would improve the quality of public service to reservation residents and would help improve the resource foundation of the reservation economy.

If the Indian Employment Act achieves the expectations here set forth, it will not only have succeeded in moving the Indian problem closer to a solution, but it will also have pointed the way to the solution of similar problems in other areas of American society. Because a great many Indian reservations are geographically isolated, and because the Bureau of Indian Affairs and the Indian Health Service have fairly good demographic data on the reservation populations, an Indian employment program would provide an excellent opportunity for the collection of reliable data, thus making it possible to establish the cause-and-effect relationship between a sudden increase in jobs and, for example, an equally sudden decline in crime. The implications of such findings for the rest of the country are obvious.

While the proposed employment program will undoubtedly require an initial outlay substantially in excess of the sums presently earmarked for job creation, significant savings should be realized before long. Not only would the persons who directly participate in the program benefit from it, but the stabilizing effect on their families would be felt in the better educational performance of their children, in their improved adjustment to the world around them, and in their integration into the private economic sector, either on or off the reservation. It is in this manner that the program will prove to be self-liquidating. Realizing that the ultimate goal of a self-sustaining community may take some time to achieve, it is, nevertheless, certainly preferable to invest in an employment program, rather than to muddle along for another decade with fine rhetoric and empty slogans in place of meaningful action.

PUBLIC WORKS EMPLOYMENT ACT OF 1977

FRIDAY, FEBRUARY 4, 1977

U.S. Senate,
Committee on Environment and Public Works,
Subcommittee on Economic Development,
Washington, D.C.

The subcommittee met at 10 a.m., pursuant to recess, in room 4200, Dirksen Senate Office Building, Hon. Quentin N. Burdick (chairman of the subcommittee) presiding.

Present: Senators Burdick, Randolph, Gravel, Stafford, and Heinz.

OPENING REMARKS OF HON. QUENTIN N. BURDICK, U.S. SENATOR FROM THE STATE OF NORTH DAKOTA

Senator Burdick. This is the third and final day of a 3-day series of hearings on S. 427, the Public Works Employment Act of 1977. The first 2 days we learned much about what went wrong with the administration of the first $2 billion and the public works jobs program. We learned also some of what went right with the program. We have listened to the views of three of our colleagues in the Senate. We have benefited from the testimony of EDA and representatives speaking for the States and counties and cities, the Indians of America, and labor. What we have been told so far is that the public works jobs program should be continued and does indeed create immediate and important jobs, that it assuredly stimulates the creation of others. The ripple effect is what it is called. We learned also that another reason we should expand this program is because as a Nation we have been experiencing an alarming long-term lag in the construction sector. For example, State and local government outlays for new construction have dropped in 1972, from $30.8 billion in 1967 to $22 billion in 1976.

We begin today with the Secretary of Commerce, Juanita M. Kreps. We are anxious to hear her views on these programs in economic development. We do not expect her to deal with the nuts and bolts of yesterday's program. We want to know what she wants to do tomorrow, the next month and the coming years.

We will also hear from Senator Zorinsky of Nebraska, Ms. Phyllis Lamphere, a representative of contractors, and the hospital association, a representative speaking for urban neighborhoods, a Sierra Club spokesman, a citizen of American Samoa, and the Lieutenant Governor of Indiana who will be able to share his thoughts with us if his schedule permits.

The full committee markup on this bill will begin at 1 p.m. on February 8 in this room.

Dr. Kreps, it is a personal pleasure to welcome you to this committee.

STATEMENT OF HON. JUANITA M. KREPS, SECRETARY, DEPARTMENT OF COMMERCE, ACCOMPANIED BY JOHN EDEN, ASSISTANT SECRETARY OF COMMERCE FOR ECONOMIC DEVELOPMENT; ROBERT HALL, ASSISTANT SECRETARY-DESIGNATE OF COMMERCE FOR ECONOMIC DEVELOPMENT; AND GEORGE KARRAS, DIRECTOR, PUBLIC WORKS

Secretary Kreps. Thank you, Mr. Chairman. May I call to your attention the gentlemen at the table with me: Mr. John Eden, who has been running the EDA program, Mr. Robert Hall, who is the Assistant Secretary-designate for EDA, and Mr. George Karras, who has been the brains for all of us in this program.

I appreciate the opportunity to appear before this committee and to comment on S. 427 which seeks to extend and amend title I of the Public Works Employment Act of 1976.

As part of the administration's economic recovery package, the President has recommended a $4 billion increase in local public works projects. President Carter is requesting an immediate $4 billion reauthorization of this program, with the actual expansion to occur in two steps:

An immediate $2 billion expansion in fiscal year 1977 based on existing applications and on minor modifications in the allocation process; and

A further $2 billion appropriation in fiscal year 1978 which will permit consideration of additional applications and further changes in the criteria for allocating funds.

As this committee is well aware, the initial allocation of assistance for local public works projects resulted in some inequities. A few local governments with significant needs for assistance were bypassed, while the projects of some local governments with lesser needs were funded. These inequities resulted, in some cases, from EDA's lack of experience with a program of this magnitude and from the speed with which the program was implemented. In other cases, unexpected difficulties created by the authorizing legislation were the source of inequities. I can assure you that the Administration shares your commitment to correcting these minor administrative and legislative difficulties and to strengthening the role that local public works can play in the economic recovery.

John Eden, the current Assistant Secretary of Commerce for Economic Development, already has presented the members of this committee with an evaluation of the existing local public works program (LPW). Building on this experience, I would like to discuss with you the objectives which the Administration hopes to fulfill in recommending an expansion of LPW, as well as the principles which will guide us in recommending certain changes in the current program.

As the President stated in his economic message, the anticipated rate of economic growth in the next 2 years, in the absence of additional stimulus, will be inadequate to meet our long-term economic goals. As a result, many communities are experiencing and will continue to experience unacceptably high levels of unemployment—causing extreme personal hardship and imposing severe budget constraints on local governments charged with meeting so many of our public needs.

The local public works program offers the President and the Congress an ideal vehicle for alleviating the extremely high levels of unemployment in many communities and in the construction industry. At the same time it provides an opportunity for constructing vitally needed public facilities which will provide meaningful benefits to many of our Nation's communities. I know of no stronger testimony to the need for these facilities than the overwhelming response received by the Economic Development Administration to the first round of appropriations for 1976—$24 billion in applications for $2 billion in funds.

As part of the economic recovery package, the Administration supports an immediate $2 billion expansion of the State and local government public works program consistent with the following objectives:

To provide prompt and effective countercyclical stimulus to the entire economy;

To support projects in areas currently experiencing high unemployment;

To finance construction activities that provide immediate employment opportunities in the private sector; and, finally,

To fund needed public facilities which are consistent with local government priorities.

The Economic Development Administration, at my direction, has just completed a thorough review of the legislation, regulations and implementation of the existing LPW program. We presently are completing our specific recommendations for change in the program and will make these available to the committee within the next few days.

We look forward to working with the members of this committee in improving the legislation, formula and regulations for allocating the second phase of the LPW program.

While our specific recommendations will be available shortly, I do want to share with you the principles which guided the Department in formulating these recommended changes:

To insure speedy implementation, the existing body of applications should be maintained and utilized. Only the most essential changes in the existing rules and regulations should be undertaken;

The rules, regulations and allocation process have to be simplified and made more understandable to applicants and to the public at large;

Local government officials should, whenever possible, be given the opportunity to identify and receive funding for those projects which reflect their local priorities. EDA will increase its interaction with local government officials to insure that the highest priority projects, as assessed by the local governments, are funded;

The program should be focused on communities experiencing the most severe levels of distress, in terms of unemployment and income. The role of other allocation criteria, which were largely unrelated to need, should be reduced or eliminated; and

The criteria for evaluating applications should be comparable throughout the country. Local governments should not be allowed to engage in creative grantsmanship that exaggerates their relative need for assistance or their relative capacity to undertake public works projects.

Adherence to these principles will substantially eliminate the inequities that resulted from the original allocation formula.

The third phase of LPW in fiscal year 1978 would permit fuller realization of the program's goals. At that time, it may be appropriate to accept additional applications to reflect shifting local priorities.

Finally, let me say that EDA, like most Government agencies, currently is preoccupied by the economic stimulus package. I can assure you, however, that this preoccupation will not prevent EDA from focusing its energies on the very real long-term economic problems that many regions and areas confront. We all realize that a strong recovery will not solve the economic difficulties of all regions and areas. Some communities, both rural and urban, simply will not participate fully in the recovery. These regions and areas face longer term structural problems that are not as susceptible to correction through overall economic policies. They need longer term economic development assistance that will help them build or rebuild their private sector economic bases. EDA should and will play a leadership role in this economic development process. I hope that we can work together in the upcoming months to strengthen EDA's ability to address these longer run economic difficulties.

I should like parenthetically to turn to title II of S. 427 which would establish a "youth community improvement program" to be administered by EDA. The extremely high levels of unemployment among our Nation's young people demand the attention of the Federal Government. The President's economic message recommends a substantial expansion in the Federal Government's youth employment and training programs. President Carter is proposing that this new commitment to improving employment opportunities for youth be implemented through titles III and IV of CETA, the Comprehensive Employment and Training Act. The CETA prime sponsors already have a structure in place for conducting skill training and for creating jobs.

While I share the objectives of title II of S. 427—to promote skill development, classroom and onsite instruction, academic credit for trainees—I respectifully request that the responsibility for administering a major youth employment effort not be given to EDA at this time.

As you know, the President's economic recovery package places substantial emphasis on speed of implementation. EDA is pledged to move as expeditiously as possible to review the regulations, consistent with new authorizing legislation, and to award an additional $2 billion in LPW projects in fiscal year 1977.

In conclusion, I should like to emphasize just three points: One, one reason I am especially interested in the continuation of the local public works programs is that it is an important part of the administration's total economic recovery package. Funding public works projects in areas of high distress provides a direct stimulus, not only to the local economies, but also to the national economy. Hence, we strongly support continuing the program and adding $2 billion in 1977 and $2 billion again in 1978.

Second, I want you to know that I am also extremely interested in the long-term economic development programs of EDA. The admission of EDA to assist areas of the country with chronic distress and long-term structural problems is of as much concern to this administration as the special countercyclical package programs.

Finally, I hope we can work closely together in the development and implementation of all of EDA's programs. We will keep in close touch with this committee and expect a cooperative, productive relationship.

As I mentioned to you, our specific recommendations will be completed within a few days. These will address the many and certainly important questions raised in the invitation to me, as well as discussing a number of other points.

Thank you, Mr. Chairman.

Senator **Burdick**. Thank you, Secretary Kreps, for an excellent statement.

Before I turn the questioning over to my colleagues, I would just like to ask one question at this point. In your statement you say, "We presently are completing our specific recommendations for change in the program and will make it available to the committee within a few days." Will these changes have any bearing upon legislation, because we intend to mark up next Tuesday afternoon. I wonder if they will have any impact and require any consideration as far as legislation is concerned.

Secretary **Kreps**. We are aware, sir, of your very tight time frame. Any recommendations that will affect the legislation will be in your hands almost immediately. Would you give me a precise time on that?

Mr. **Hall**. Senator, we would hope to have the specific recommendations available to the committee possibly on Saturday or, if not, the first thing Monday morning.

Senator **Burdick**. Thank you.

Senator Randolph?

Senator **Randolph**. Thank you, Mr. Chairman.

Dr. Kreps, we are delighted that you and your associates are here to counsel with the committee. I was talking with the Regional Forester, and also the Forester of the Monongahela National Forest in the State of West Virginia. That national forest is encompassed entirely within our State; some 900,000 acres. They came to talk about just what Bob Stafford and Quentin Burdick and Senator Jackson and others of us have been talking about, to find some way that in this program of employment for people, whatever the modus operandi, we must give very substantial attention to the problem of unemployed and underemployed young people in the United States of America. I remember Mr. Mummy saying this morning when I asked him, I said, "Do the young people who come on the projects in the Monongahela Forest want to work? Do they do a good job?

He said, "The job is set up for a certain number of days," and he said, "It is completed in half that number." I was surprised the way he said it so quickly. He said, "They are so happy to come into the countryside, come out into the forest areas of our country." When I hear him say that and when I have some experience in watching the programs of the youth conservation effort that we have had over a period of years, I am further stimulated to say that in a State like Alaska, I do not know how many young people you could really absorb there from really the inner city who I think would want to come and want to work. Is this right, Senator Gravel?

Senator **Gravel**. Mr. Chairman, The Tongass and Chugach Forests account for 20 millon acres and you could take tens of thousands of young people and go out in the forest and do precommercial thinning and increase our productivity by a decade. Then cleaning up some of the streams would greatly enhance our fisheries. These are all capital investment that can be made. I will say it later, but I am thunderstruck by the strength the good doctor has expressed in not wanting, according to Parkinson's law, to grab onto this youth problem when they think it should be somewhere else. I think it shows the new administration has its act together. I thank you for that strength.

Senator RANDOLPH. I felt at the very outset to give the emphasis here today, keeping in mind what you had said, the task is very great and your recognizing it cannot just be juggled and fitted into some program. It has a very definite place that we must emphasize it. This is the opportunity. I stop, but I continue. I am thinking of 8 miles out of our city. By the way, Alaska, I know, is a big State. But I live in the largest county east of the Mississippi River. Who would think we would have a big county in a State like West Virginia? But there is Stuart Park. It needs maintenance. It needs improvement now. But I remember when it was constructed by CCC workers, many of them young people, in 1935. So, you see, these are projects that stay with us.

We look back and I say a good word at every opportunity, maybe too often, for what WPA did in this country across the board, in bridges and roads and streets and structures, facilities of all kinds, which helped America not only through a depression, but are continuing to be used by America. There Americans come, a thousand on one day, just to Stuart Park. Yet that park was constructed how many years ago? I am almost afraid to say, because I was there then. Now, Secretary Kreps, you note, as the President did in his Economic Message, that the anticipated rate of economic growth without stimulus over the next 2 years would be inadequate for what we would call our long-term economic goals. I think you would agree that the projected growth rate will also be inadequate to allow for the necessary investment in public facilities and would compound the deferred maintenance problem for such facilities without extraordinary measures, like what we are discussing here today.

Timid steps will not do the job. But this all-out frontal attack across the broad front I think can help to lift America and to leave some lasting benefits beyond just the employment needed. Do you agree?

Secretary KREPS. Yes, sir. I should like particularly to subscribe to your great enthusiasm for the products of our earlier efforts. The WPA kind of outputs that are still with us are, I think, an enduring legacy to an administration which, if it had been less courageous, might have accepted the problem as it was and done nothing about it. Moreover, I would think that with the expenditure of the kinds of funds that this committee is interested in endorsing, we have an opportunity to leave a legacy to future generations in the form of improved public facilities of all kinds which we can be quite proud of.

I think it would be a great mistake for us to view these countercyclical measures even as means to create jobs, rather than as means to achieve very important public goals.

Senator RANDOLPH. Mr. Chairman, if you will permit me one further question. You will recall that, when you were in the process of your confirmation hearing, I had the opportunity to bring to your attention the very important, as we see it, White House Conference on Balanced National Growth and Economic Development. As you know, Senator Domenici of New Mexico has been very interested in that. We had placed that in the last EDA bill.

In that measure, which was passed in September, we called for such a conference within the year. I believe that you have given some thought to the possibility of keeping within that frame of time. But I would once again indicate that if it is necessary so that the conference will really do the job, and it is overdue, do you think that perhaps another 2 or 3 months beyond that date might be advisable?

Secretary Kreps. As you will recall, sir, at the time we discussed this earlier, I did think that it would be absolutely essential for me to have more time to put that conference together in a way that you would like to see it run. We will be back to you with a specific recommendation on that, but I would like, if you are willing, to have some tentative agreement that we could schedule the White House Conference perhaps early in 1978 instead of in 1977. It was scheduled, I believe, for October of 1977. We simply will need some more time to get it underway. I would hope that the time extension will not be a long one, but we will bring the specific request on that.

Senator Randolph. I know you support the conference.

Secretary Kreps. Indeed so.

Senator Randolph. I know that. I hope that in that conference we can address the growing public facility deficits that exist all over this country. We talk about deficits. But in our public facilities, oh, what a wide range that are people-oriented, strengthening the very fabric of our country, that that be an important part of that conference agenda.

Thank you, Mr. Chairman, very much.

Senator Gravel [presiding]. Thank you, Senator Randolph.

Senator Stafford.

Senator Stafford. Thank you very much.

Madam Secretary, I would like to join the others in welcoming you here. I look forward, as the committee does, to working with you in the days ahead.

Senator McClure was anxious for you to know that he was unavoidably called back to Idaho or he would be here this morning. He is deeply interested in your testimony and in the legislation that is currently in front of this committee.

Senator Baker, the minority leader, has been unavoidably detained on the floor of the Senate. He hopes to be here later this morning.

As an addendum to what Senator Randolph has said about WPA, and I have been tempted to say this several times lately, another output from that era and WPA was the development of the navigational tables that have been used by mariners from that day to this traveling on the high seas of this globe.

I read your opening statement and listened to you deliver it to us with a great deal of interest and generally agreed with it until I got down to page 7 and your remarks about title II of the current legislation. There I just hope that you and your staff will further review title II in the next few days, because I am sure you know that the most acute unemployment problems we have in the country are in the young people, 16 maybe to 24, and that half of the problem there lies in the 16-to-19 age range, which title II attempts to reach.

I think if you will examine it, you will find that would work through local organizations that generally are in place now, so that it wouldn't involve a new set of local corporations and organizations to implement it. I think that it can be dovetailed with CTA quite easily. And there are a number of other bills like title II in this bill which generally follow the same routing and philosophy, so I simply urge you, Madam Secretary, between now and maybe next week, to look at it.

Secretary **Kreps**. May I respond to that, sir?

Senator **Gravel**. Please.

Secretary **Kreps**. I would want the committee to understand that I have a very deep and abiding interest in the youth unemployment problems. Curiously enough, I first met Mr. Carter when I was invited down to Plains as one of a number of economists to talk about economic issues. The sole import of my discussion with him had to do with creating programs to meet the problems of unemployed youth. So it is not an area that I would want us to pass over in any way. The staff will, and I will, do as you suggest. We will continue to look at this. Our tentative appeal to you had not to do with downgrading the importance of the program contained in title II, but, rather, to suggest that it might be more appropriate for that kind of effort to be carried on through CETA.

We are open on that question, but it was our immediate reaction that the Labor Department was staffed, equipped, legislated to carry on that kind of program and that it would be more logical to have them do it. We will, of course, keep an open mind on that, as you suggest.

Senator **Stafford**. Thank you very much. After listening to your statement, Madam Secretary, and after reading the paper this morning and noting the activities in the House on this same general subject, in which apparently the House proposes to provide more money than the Carter administration has asked—at least that seems to be where the committees are headed—I have to ask you if you consider the administration's program to be adequate—that is $2 billion this year and $2 billion the next.

Secretary **Kreps**. Our proposal running in those terms was based in part on our feeling that we needed some time to carry out in an intelligent fashion a program of this magnitude. You know, of course, that the first $2 billion of public works grants has just gone out and that we will be in a position of handing out another $2 billion within a very short time from the applications we already have. We thought that still a third $2 billion, almost immediately, would tax our ability to handle the applications in an equitable fashion. Responding, however, to the broader import of your question as to whether the size of the package in total was adequate, I think there are a number of things that could happen to make it necessary to reconsider the size of that package, the most important, of course, being the weather. It does seem to me now that it may very well be the case that the stimulus package would have to be increased by reason of the additional impact of the weather on unemployment and incomes.

Senator **Stafford**. In view of your past involvement with manpower and human resources, would you care to comment on the relation of our manpower training programs and the work of the Economic Development Administration which has the mission to develop jobs in areas of economic distress and the ways we could improve the coordination of these programs?

Secretary KREPS. As you, of course, know far better than most of us, it is very difficult to tell whether the problem of stimulating growth in an underdeveloped area of the country is primarily due to the lack of skills and abilities of the people there, or whether instead it is the fact that industry never located there in the first place. It does seem to be possible to go at the problem in either of two ways. One can stimulate the manpower training and build an infrastructure in human resource terms that would make people competent to do higher level jobs. This would be particularly important in a State such as North Carolina where there is a good deal of transition from agriculture into industry at this point. But one can go at it that way or one can suppose that the primary problem is to provide jobs, and the training and human resource development will follow.

In the best of all possible worlds, we would hope that we could do both simultaneously. It would be my hope that EDA, as it pursues its longer run objectives, as well as these countercyclical measures, would work closely with the Labor Department's training manpower programs in an attempt to provide skills and human resource development at the same time that we could somehow stimulate the community's industrial base.

Senator STAFFORD. Thank you very much, Madam Secretary.

Thank you, Mr. Chairman.

Senator RANDOLPH. May I, Mr. Chairman, just add, you are speaking of North Carolina, and any other State, of course, would be a proving ground. But so often I think that traditionally we have thought of a State as having sort of a stranglehold on some type of industry. North Carolina is known for making furniture. Yet the hardwoods of West Virginia have been moving into North Carolina. We have not started what we would call the industry of making furniture, whatever type. Yet in the last 3 or 4 years we have begun to make school furniture and some furniture, some equipment for hospitals, and so forth. Yet, I think that it is good for a diffusion of skills in certain areas rather than to concentrate all of those within one area or even a State. That is why I think our conference at the White House on balanced growth and economic development will have something of value in it.

In West Virginia, for instance, we had plenty of tanneries but we were not making shoes. They were making them in New England. I don't want New England not making shoes. Here with the tanneries, now say in the last 10 years, we have approximately 2,000 people in eight or nine factories that are making shoes.

What I am trying to say is there are the opportunities not to pirate the industry from one area to another but throughout America to have the skills fit themselves to the full production; not to just take something, move it to another area and then have it finished there. Do you agree this might be valuable?

Secretary KREPS. Yes, sir. It does seem to me that an examination of the whole question of balanced economic growth and its many ramifications, which the conference will address, is long overdue. The fitting of people to jobs or jobs to people is something that we have not analyzed very well. If you look into the future, never mind the mistakes we have made in these regards in the past, what we would like to know, of course, is what kind of economic map will we have in the next decade. Where are the industries moving? Where are the people moving? And if the movements are inappropriate in terms of natural or human resource bases, what kinds of interventions should the Government provide?

You and I have a background in Appalachia. The kinds of deprivation that I saw about me as a child in eastern Kentucky is a kind of deprivation that could, I think, be avoided by a more even sharing of industry. And the kinds of out-migration of youth from that part of our State to the large cities where unemployment grew, I think could be avoided by some relocation.

Our history of inducing industry to locate in those areas is not a good history, however, as you know.

Senator RANDOLPH. That is right.

Thank you, Dr. Kreps, for saying that we do have a challenge here. By careful planning and counseling, the White House Conference certainly will be a proving ground. I think we can do better than we have.

Thank you, Mr. Chairman.

Senator GRAVEL. Senator Heinz.

Senator HEINZ. Thank you, Mr. Chairman.

Madam Secretary congratulations on the job you have got. It is a tough one, but I am sure you can do a good job. I was listening very carefully to your comments to Senator Stafford regarding your concern about the ability of the Department to either take on title II or to take on an additional $4 billion rather than $2 billion of expenditures under the title I at once. That really leads me to a more general question, which is, in your view, do you feel that the Economic Development Administration has a longer-term mission, namely, that of helping areas that are economically disadvantaged or that are facing economic distress, as a continuing responsibility, and that it must always be a part of the mission priorities of EDA?

Secretary KREPS. Yes.

I would like very much not to have the long-run mission of EDA, as I see it, set aside or in any way ignored in the course of our important countercyclical measures. It does seem to me that the initial purposes of EDA, which would lead to the structing and development of certain areas of the country, remain with us. We are concerned at the moment with the state of the economy and with stimulation of a very much depressed industry and jobs that are related to that industry. We are concerned with producing important outputs in the form of public facilities in the course of this stimulus package. But I would hope that without regard to how many billions of dollars we put into countercyclical spending, that we would be able to continue and indeed increase our commitment to long-run structural development. If the countercyclical package works as we hope it will, it will be very shortlived. I would not like EDA's function to stand or fall on what we do in that regard.

Senator HEINZ. So you feel there are certainly other things besides title I?

Secretary KREPS. Exactly.

Senator HEINZ. Let me ask you this: As you know, there are now some 11 States that are being critically affected by the natural gas crisis. My own State of Pennsylvania is in dire straits, particularly in the southwestern part of the State.

After I visited Fayette County, Penn., on Tuesday morning of this week, one of the major employers in the county, the Anchor Hocking Glass Co., for all intents and purposes they had closed down because of a shortage of natural gas. They are unable to convert. They laid off some 750 of the 2,150 employees. The natural economic effects on that county are substantial. The hardware businesses and hotdog stands and movie theaters and other merchants as far away as 30 or 40 miles will be affected by that closing of the plant.

Yesterday I sent a "Dear Colleague" letter to the other Members of the Senate urging them to join me in an effort to establish a program of what you would, I think, correctly call adjustment assistance for those firms, for those employee groups and for those units of local government having very definite and substantial adverse effects as a result of the natural gas crisis, the shortage, and the weather. Would this be an appropriate program for the Commerce Department and EDA to administer?

Secretary KREPS. Excuse me, may I defer to Mr. Hall, who is trying to whisper something to me?

Senator HEINZ. I recognize that this is a new thought. It is also a very critical emergency; and if we are going to take any action to relieve economic distress in discrete geographical areas, somebody is going to have to administer the program.

Mr. HALL. Senator, as you are aware, EDA does have several key responsibilities in the area of adjustment assistance. I think it could be considered that this might be an activity for EDA.

Senator HEINZ. Thank you.

Secreary KREPS. I would think so.

Senator HEINZ. We will keep you in mind as we develop the legislation.

Secreary KREPS. Excuse me. May I just add that this kind of function, it seems to me is much more appropriate to EDA than a youth employment program. No department is meeting the kind of problem you just cited.

Senator HEINZ. I agree with you. No other department is really equipped to meet that kind of disaster. The Federal Disaster Assistance Administration's mandate goes to damages caused by a natural catastrophe. I appreciate your sensitivity.

Mr. Chairman, I have no further questions for the Secretary but I do want to commend her and wish her well, and her team. You have come at a time when I cannot imagine more difficult challenges to be faced. I wish you good luck. I am sure that this committee will be fully supportive of your efforts.

Secretary KREPS. Thank you, sir.

Senator GRAVEL. Thank you Senator.

I again want to underscore the compliment made earlier. I truly meant this as a compliment in recognizing the obvious, that all of us are deeply aware of and understanding the skewness of our unemployment problem, that we can surgically go after it without an extra burden to society and do something that will improve the health of mind and body of individuals who undergo this experience and at the same time make a productive contribution which in the long term will have a deflationary effect rather than an inflationary effect of giving out money to young people.

I do want to compliment you. I think the same thoughts are in the Senate and aim toward getting a bill that will be harmonious with CETA. And it will direct us to all of these problems.

I think that is an opportunity and I think you are providing leadership in helping us approach a final decision. I wonder if it would be asking too much to share with us the debate that may have gone on within the administration as to the trade-off between going for job creation and the tax rebate or what some of us consider a $50 throw-away. When I first went into the service we had the "flying $20." That was the $20 bill they gave you the first day you signed into the service. You sort of dissipated that flying $20. That is why you call it the flying $20. This is the "flying $50." The Republicans initiated this. The "flying $35," was the last congressional effort in this regard.

Senator STAFFORD. Mr. Chairman, you have the nerve to ask a question that I thought of but didn't ask.

Senator GRAVEL. I certainly wouldn't feel offended if you can't share with me the debate that took place. Certainly you hold your side, if I were to guess, that took part in the debate from the vector that I would think proper. But being an economist, Doctor, I think you could give us some views. Some of us are deeply concerned over throwing money into the programs. The goal is to create jobs. The second part of the goal, of course, is to get the economy moving. Movement in the economy is no goal in itself. In fact, it can have very detrimental effects on society, inflation and the like. So if we can address ourselves surgically to the job problem with a public works program which at the same time is the monetization of capital, which is very vital, and then go to the youth problem which is the crux of our unemployment problem, then we might literally not have an unemployment problem and all we would be doing is throwing money at the general economy with a tax rebate that would have the sole effect of accelerating the inflation in probably August, September, and the fall, which would be very damaging to our economy.

I wonder if you would comment on that. I will understand if you cannot share with us the dialog that took place within the bosom of the administration.

Secretary KREPS. Of course, there is no secret about that discussion. It has been laid out many times. It was an honest concern, first of all, with the level of unemployment and a genuine desire to find ways to bring that down. As you know, initially the administration's commitment was to try to get unemployment down to 6½ percent by the end of next year. The question of how you best do that is a question to which each of us brings a different perspective.

We start with the proposition that one wants not only to create jobs, but insofar as possible to create permanent jobs and to have them largely in the private sector. The reasoning behind a tax cut or a tax rebate is, of course, based on the supposition that the money not taxed away will be spent for goods and services in the private sector and thereby generate jobs in that area. If one does not accept the fact that increased spending will increase the demand for goods and jobs, then, of course, that makes no sense at all. But I think most of us would accept that. The exact size of the tax rebate is always a matter of debate. When we turn our attention to direct job creation, either through the Labor Department's manpower training efforts and the whole range of

CETA legislation, public service jobs included, or the kind of local public works job creation that we will have in our department, when we turn to that area, there is an honest question of the rate at which these jobs can actually be created. There is a time lag problem, particularly with public works. The unemployment is here and now. The need for stimulus is here and now. But even if one initiates a public works program immediately, it would be months before the jobs would actually be filled.

One can create public service jobs somewhat more quickly, but they are not in the private sector and there is a tradeoff there. But the constraint we felt in going directly altogether toward job creation and not doing it through the tax mechanism, that constraint was purely and simply one that we felt was in the nature of the programs, that we simply could not expect to generate more jobs in the short run that we in fact endorsed. We may have erred in that. It may be possible that we could create more public service jobs, for example. But that was an honest appraisal of how we thought we could put it into being in a short time frame.

Overgirding all this, and I don't mean to drag this out—I am sure you wanted a much simpler answer than this—but overgirding all of this was the feeling that we had to stimulate the economy in such a way that it would carry a permanent impact; that the jobs that were being generated would be there permanently; that they would be maybe in the private sector, and generally speaking I think economists pretty much agree that one does that with fiscal measures.

Senator GRAVEL. Speaking of fiscal measures, if you stop and realize, and I am sure you do, that according to Dr. Burns, the $50 we give out will have quite an impact, a $10 billion impact on our fiscal policy in this country. It really would have the same effect of extending the dole. When we give some money to poor people, it is the dole. When we give it to middle class and the wealthy, it is an incentive, economic stimulus. It is all the dole if I give you $50 and you haven't done anything for it. I have to go borrow for it and I am really monetizing the inflation, monetizing the dole. I am borrowing to give you some money.

I have seen two figures apparently in the study out where we talk in terms of 75-percent capacity for our economy. Maybe we should not get full capacity because it would be inefficient to try to have full capacity. But if that is the case and our problem is unemployed, that you can define it and surgically attack it. This youth program we are talking about, that may drop below 5-percent unemployed, if we could get hundreds of thousands of young people in this country working this summer on something that is to some degree or other a contribution to our capital situation. So it is not all an inflationary effort. It becomes a long-term deflationary effort.

Secretary KREPS. Yes.

Let me repeat my earlier statement, that I am very much enthusiastic about a youth employment effort. I may be wrong about this, but my appraisal is that it would be best to conduct it in the Labor Department.

Senator GRAVEL. I share that view.

Secretary KREPS. I do not speak at all against your basic point that we ought to move on that.

Senator GRAVEL. I share your view in that regard. If it took the committee, let's say, several weeks longer rather than getting a bill out by next week, if it took us, let's say, to mid-March in order to couple with the public works aspect of it a really mammoth and totally coordinated youth employment aspect of it, let's say going from 16 to 24 which is where the problem is, would that be acceptable to the administration, or do you think we ought to separate the two out and get a public works program and then bring on the youth later?

I think from a tactical point of view the politics is if we keep the two married together we stand a greater chance legislatively of a broader success than breaking up the train and running them through the tunnel one at a time.

Mr. HALL. Senator, may I respond in this way: It is the administration's position they would like to move as expeditiously and efficiently as possible on the second round of local public works. So that would be a very prime consideration to the question you have posed.

Senator GRAVEL. So you think the 30 days would make the difference from your point of view?

Mr. HALL. I think the preference would be to move as quickly as possible with the local public works.

Senator GRAVEL. I think that may well have some merit. I was just struck by Paul McCracken's statement in the recent Wall Street Journal. I don't know if you have been privy to it. He talks in terms of the public sector, that the public capital is not being maintained in our society today and that this in itself cries out for an even greater effort.

Secretary KREPS. It does say something also, sir, about how far Paul has come.

Senator GRAVEL. I am sure you monitored his progress a lot closer than I have.

With respect to the long-term mission of EDA, you made some statements with respect to difficulties that may occur in the countercyclical function. I wonder if you think there is a real danger in this area and what your thoughts might be with respect to recognizing that and going in a different direction.

Secretary KREPS. I apologize, sir. I missed some words in the beginning.

Senator GRAVEL. Apparently you have made a statement of concern with respect to the mission of EDA and the countercyclical function. I was just trying to probe an expansion of that statement or your thinking in that regard.

Secretary KREPS. No, sir. I don't see any conflict between the countercyclical kind of output that we would produce and the long-run interests of the structural development of the Nation. I would just like us not to lose our bearings in the tremendous amounts of money that we will be handling in the next year or so and lose sight of the initial purposes of EDA.

However, I see them not in conflict, except insofar as both demand our time and attention.

Senator GRAVEL. The perception presently exists that it is your intention to give greater effort or push economic development more than your predecessor did. I wonder if you might comment on the accuracy of that perception and how you would implement that goal if that perception is accurate?

Secretary KREPS. It is difficult for me to be specific about what we hope to do. We are just beginning to take a hard look at EDA in total.

My impression has been that we have not moved under EDA as forcefully as we could have to develop certain kinds of infrastructures, local and State and regional programs, that would enable industry to locate, would enable the economic growth in certain underdeveloped areas to improve. I apologize for being this vague. But my strong interest in economic development comes from having lived most of my life in what I refer to as an underdeveloped area, a part of the country whose economies have not kept pace with those of the Northeast, say, and my overriding sense that EDA can make a contribution to a systematic and intelligent development of those areas; that if we do not do so, we will 10 years out see more and more of the kind of conflicts that are beginning to emerge now between the sun belt and the snow belt; that we simply must look at the long-run economic development of the Nation and try to do some mapping, lest we incur really enormous problems in the very near future.

Senator GRAVEL. I would personally encourage you in this regard. I am really impressed with your statement. I don't find it too general. The regional commissions and EDA have really been going their separate ways for the decade. Do you have any thoughts on how you might amalgamate that? The regional commissions offer the potential of what you would call certain new federalism, certainly defining socioeconomic activity in more natural terms than the artificial boundaries of existing states.

Of course, EDA, I think, has done a fabulous job, certainly in my State, and I know other States. Do you have any thoughts on how a reconciliation might be brought about to more effectively capitalize on what are these natural barriers rather than fighting the problem?

Mr. HALL. Senator, the Secretary and I have had several conversations on this topic. It is clear there needs to be a close relationship, coordination and complementation between the role and function and efforts of the regional development commissions and the activities of EDA. We would hope that one of the objectives of the White House Conference on Balanced National Growth and Economic Development would be to help sort out some of the structural and institutional relationships of the many tools we have in the Federal level in dealing with the area of economic development.

It is, as you well know, Senator, a very complex issue, and this is one that we are very actively reviewing. In addition to looking for guidance from the White House Conference, we will be taking some internal administrative steps and decisions to try to better coordinate and relate these two very important activities.

Senator GRAVEL. As you know, we are very interested in this conference and share with you the same faith that something may percolate up. I am going to recommend to the Chairman of the full committee that as soon as you appoint or define the leadership roles and fill them for the conference, that we have oversight hearings prior to the conference so we can get a feel as to what is going on in preparation, what would be the agenda, how the agenda would be structured and how it would be percolated up from local conferences in the various States or regions. I would hope that the committee, and I am sure the Chairman feels deeply about this, would monitor this whole process very closely. I for one will try to attend some of the meetings of the conference. I cannot think of anything more significant in this area.

For the record, I would just like to say some months back, last year, I read the book "Mankind at The Turning Point" by Dr. Mesorovic, in this area of defining the needs of organic growth. Just for the record I want to recommend that.

Senator HEINZ. Mr. Chairman, I have one further question that occurred to me as a result of some discussion we have been having on title I of the bill before us. That is this: You expressed earlier some reservations about your ability to handle much more than $2 billion at one time. How soon after you processed what we call round 2 would you be able to process, if we thought it was a good idea to ask you to do so, what we would call round 3? That is to say, a third round of $2 billion. How quickly can you process what you have got and then start with a reasonably fresh start?

Secretary KREPS. We could do it rather quickly, Senator, if we were to decide with your understanding that the third round would come out of those applications we now have. We would have to update them in certain regards, and as you know, we must change certain guidelines before we dare handle another round. But it would be possible, I think, for us to cope with the whole $4 billion rather quickly from that set of applications.

Our thinking in suggesting the third round wait a bit was that we would like to be able to invite new applications for the third round. However, I think there is a very important question. If I may just get the views of my staff on this.

Mr. Hall?

Mr. HALL. Senator, in terms of the round 2, the $2 billion for this fiscal year, in terms of the administrative speed, there are two dependent factors. One would be the extent of changes that the legislation would create. The second, of course, would be the timing of the appropriations. On the assumption that the bill or legislation is not completely restructured and turned around, that we can use the existing applications, and that we can get some agreement and understanding on simplification of the administrative procedures in the regulations and an appropriation by April 1, we would hope to complete the project selection by May 15 and have grant offers approved and mailed by June 15, thereby hopefully allowing this construction season to be fully utilized by round 2.

Senator HEINZ. Is that to say that you would start on round 3 as early as May 15?

Mr. HALL. Round 3, of course, in terms of actually obligating funds, would be dependent upon the appropriations of money and the administration's position.

Senator HEINZ. Let me set up a hypothetical situation. It certainly could be that this committee and the Appropriations Committee might authorize and provide money for round 3 sometime before the beginning of fiscal 1978 to run all the way through fiscal 1978. In other words, we could give you flexibility as to whether you might start. We do not necessarily have to tie your hands to starting no earlier than September 30, 1977. I am just trying to get an idea in my mind if we decided not to do that, how much further up we could move it and be realistic and not get into the nasty game of raising expectations either.

Mr. HALL. On that one, I think we would have to think about it a little bit. We haven't really given much through to it. But I am sure we could speed up the process somewhat. For example, if it were to result that we were to apply the full $4 billion, in effect collapse rounds 2 and 3 together, that clearly would be a speeding up of the process. We just have to think about that a little bit in terms of the way you suggest it.

Senator HEINZ. Let me ask you this: Why would it take you until May 15 to make the decisions on the second round? It would seem to me that you could probably do it a lot faster than that.

Mr. KARRAS. Senator, some of these applications, even though we have only had them a couple of months, may need new cost data. These applicants are going to have to look at the cost data again to determine whether or not they are as viable now as they were when they first submitted them a couple months ago. Second, we are going to have to get a reaffirmation on the part of the applicants with regard to all the assurances and certifications that were in the original applications.

Third, the agency itself, hopefully, to avoid one of the problems in the first round, will want to do a better job in the review process, particularly in regard to the environmental effects of these projects. We have had to deny projects which clearly would have such severe environmental effects as to cause the project to not go forward. We are allowing a very compressed period of time in Mr. Hall's timetable for that review process. But we think we can handle it during that period of time. So because of those considerations and also to get the grants proper to 2,000 grantees, let us say; I would suggest that that is going to take a month. So that we feel this is an efficient and also very quick way of operating the second round.

Senator HEINZ. Thank you, Mr. Chairman.

Senator GRAVEL. Thank you.

Any further questions from the committee? We thank you very much, Madam Secretary. We thank all of your colleagues for coming to the table and we wish you well.

Secretary KREPS. Thank you, sir.

Senator GRAVEL. Our next witness is our distinguished colleague, Senator Edward Zorinsky.

Senator, we are happy to have you join us, happy to see you attending the Finance Committee and delving into the great difficulties we are going to have in this economic stimulus package. We look forward to your comments here at this time.

Senator STAFFORD. Mr. Chairman, let me join in that welcome to you, Senator Zorinsky. We are looking forward to your testimony.

STATEMENT OF HON. EDWARD ZORINSKY, U.S. SENATOR FROM THE STATE OF NEBRASKA

Senator ZORINSKY. Thank you, sir.

First I would like to commend you, Mr. Chairman, and the members of this committee for the opportunity to present some observations.

As a former member of the Economic Development Committee of the U.S. Conference of Mayors/National League of Cities and as the former mayor of Omaha, Nebr., I strongly supported the Public Works Employment Act of 1976, and the effort of this committee and the Congress to override former President Ford's veto.

I can report to you today that the city of Omaha did not receive one red cent under title I of the program, although it applied for more than $9 million with several applications under the guidelines.

Most of us could foresee that surely there would be more requests than there would ever be funds and we could sympathize that the EDA bureaucracy would be sorely taxed under the 60-day congressional mandate. This was obvious from the beginning but I contend and insist it is no excuse for what I believe to be some gross inequities in the program.

First of all, it is important to recognize that the city of Omaha, Neb., was the only locale in the State that had an unemployment rate above the national average with the exception of a few isolated noncontiguous pockets. More than one-half of the State's unemployed live in Omaha, and that represents nearly 15,000 persons of the State's 28,000 unemployed for the 3-month period for which the applications were made.

At this time, I would like to submit for the record a January 11 letter from Mr. Craig Smith of EDA's regional office in Denver. It was in response to an inquiry I made asking for some kind of explanation for a total rejection of every application submitted by the city.

[The letter referred to follows:]

U.S. DEPARTMENT OF COMMERCE,
ECONOMIC DEVELOPMENT ADMINISTRATION,
Denver, Colo., January 11, 1977.

Hon. EDWARD ZORINSKY,
U.S. Senate, Washington, D.C.

DEAR SENATOR ZORINSKY: I apologize for not getting this material to you sooner, but it has only recently become available. I am enclosing a copy of the computer printout of all the accepted projects in your State that were processed under the Local Public Works Capital Development and Investment Act. Those which were denied because of deficiencies, and therefore not scored, do not appear on this list. You will note the list is ranked by score and the selected projects are indicated with a "s".

You will also note that EDA denied several projects which had high scores when it was determined that their selection, along with the selections already made, would have created an "undue concentration" of LPW funds.

Calculations of "undue concentration" used available unemployment data, or in rare cases, population comparisons when unemployment data were not available. Undue concentration was calculated for the following areas:

1. Counties within a state.
2. Cities within a state if counties were very large, and in several New England states.
3. Cities within a county.
4. Applicants within a city.
5. Indiaps.

In making determinations of "undue concentration" the ratio of area unemployment to state unemployment was determined. This percentage was applied to the state planning allocation of LPW funds to establish an area "benchmark". Projects were then selected according to score until the selection(s) from an area exceeded the benchmark. After that point, no projects from that area were selected.

The determination of "undue concentration" was provided for in Section "316.10(a)(iii) of the LPW Regulations".

The second enclosure is a complete listing of the seven scoring factors. This, I must admit, is somewhat confusing as it does not distinguish between the 70 percent, 30 percent, and below categories. In order to cross reference, you should use the locator number on the ranking, and you can then determine the exact scores that any project received.

If I can be of any assistance, please do not hestiate to call me.

Sincerely,

CRAIG M. SMITH,
Regional Director.

Senator ZORINSKY. You will note Mr. Smith talks about, and I quote, "undue concentration" and then goes into a dissertation to explain how EDA "calculated" so "undue concentration" wouldn't occur. He ends his discourse admitting the whole thing is "somewhat confusing" and I submit it is more than that.

I would ask at this point, if the EDA might happen to have a "calculation" designed to prohibit "undue concentration" of the State's unemployed in Metropolitan Omaha or for that matter, "undue concentration" of the Nation's unemployed in any of the major metropolitan centers of our Nation? This answer, as you can see, is very vexing where we have unemployment in the construction trades approaching 30 percent and in the city overall of 7½ to 8 percent. I would like to see, Mr. Chairman, in the name of equity, a more direct relationship between "undue concentration" of grant awards and "undue concentration" of the unemployed.

Second, many of us were distressed to learn, in October, of EDA's decision to attempt parity between general purpose units of government and special purpose units of government. I won't attempt to bore you with the role that general purpose governments—your cities and counties—that far transcends either the impact or the responsibilities of special purpose units. General purpose governments are the initial focal point in our society for establishing a plan of community-wide priorities from the many, many competing wants and needs of our local communities. While school districts and other special purpose units are indeed integral elements of our society, they tend to be single-dimensional and narrowly based in respect to the overall needs of the community. One of the intents of Congress and the EDA was to give weight to those projects having "lasting or long-term" benefits and it is difficult to see how anyone except a general purpose government—duly elected to serve the general needs of the entire community—can make such a judgment.

The results of this decision are ironic. I submit for the record, a newspaper story appearing in the Omaha World-Herald of January 9.

[The article referred to follows:]

[From the Omaha World-Herald, Jan. 9, 1977]

CITY DEBATES SCHOOL PLAN, "FLUKE" CASH

(By Randy Beam)

Nebraska City, Nebr.—School officials here say that building an elementary school at Hayward Park, where the city's football stadium now stands, is basically a dollars-and-sentiment issue.

Dollars because putting a new school there would save taxpayers $2.7 million; sentiment because that's a prominent explanation for opposition to building a school on park land.

But opponents say there are other reasons; and aversion to federal handouts; the impact on neighborhoods; concern that the wishes of the late William Pitzer—who donated part of the land for Hayward Park—aren't being honored.

The Nebraska City Board of Education is to weigh these considerations against the need for a new school Monday night.

It is to decide then whether to accept a $1.59 million federal grant to build the school.

School Supt. Jim Withee says it will be an all or nothing decision. The grant is for a school at Hayward Park. The site is not negotiable. It's Hayward or nothing.

School officials figure that to build a similar school with a bond issue would cost, including interest, about $2.7 million.

Withee said he expects the board will accept the grant; Board Vice President Duane Hall agreed.

A FLUKE

As Hall and others tell it, getting federal money for the school was a fluke.

Last June, Nebraska City voters defeated a $1.5 million bond issue for a new elementary school. Hayward Park was not the site for that proposed school.

School board member Joe Steiner, who leaves office Monday, said the State EducationDepartment tipped the board that federal funds might be available for a school.

There were conditions. The land for the building must already have been available, no persons could be relocated by the new building and the project had to start within 90 days after the grant was awarded. The school board applied.

But the bond issue site didn't meet grant requirements.

Persons would have had to be relocated, and the board didn't own the land.

It did own the three-block Hayward Park.

The schools had been trustee for that land since the early 1900s. The city had owned two of the three blocks; donor Pitzer owned the third (the middle one).

Pitzer's condition for donating his block was that it be used for an athletic field.

So a stadium was built.

Hall said the Hayward site met federal criteria, and school board criteria, as well. He said it was a good location for a new elementary school, so the school board applied for the grant to build a school on the Hayward site and it was awarded.

But what about Pitzer's condition?

The school board asked its attorney, Richard Hoch, to see if that could keep the land from being used for a school.

Hoch told The World-Herald that he believed:

—Only the one block that Pitzer donated was subject to restricted use. The new school could be built on the rest of the land, regardless. But architects advise it would be better if Pitzer's land could be used, too, Withee said.

—That the conditions for use of Pitzer's land could be modified, as long as those conditions were met otherwise.

STADIUM

Basically, Hoch said he believed the land could be used for a school as long as the stadium was replaced.

School officials say the old stadium will be replaced.

Relatives of Pitzer and others have complained that building a school on the land ignores the donor's intent to use the land for an athletic field.

One opponent, the Rev. Thomas Ozanne, a teacher at Lourdes, is critical of the school plan for another reason—he said it's short-sighted.

It's not so much the site, Father Ozanne said, as the impact that closing two schools—which would be replaced by the one at Hayward—will have on neighborhoods.

He said it might contribute to their deterioration.

Another opponent, Warren Woodruff, said he's against using federal money for the school.

Withee said he's aware of the opposition. "There are always the againsters."

But he said the biggest obstacle was sentiment. Several generations of Nebraska Cityans have played football on that field, he pointed out.

"We thought," he said, "a gift of $1.6 million would conquer a lot of sentiment."

Senator Zorinsky. To make a long story short, the voters of Nebraska City, last June defeated a $1.5 million bond issue for a new elementary school. On December 23, 1976, the EDA awarded the school district $1.6 million to build it anyway. While this incident raises more questions than it answers about representative government, it is appalling to contemplate EDA's rationale. I believe the role of general purpose governments must be strengthened in any future authorization.

The flagship proposal submitted by the city of Omaha, which most vexes city officials, was the $3.6 million Papillion sewer relief project. Since the days of the Nixon sewer fund impoundments, this vital system running through the middle of the city has been running at capacity. The solution to the problem—the engineering and indeed much of the environmental impact analysis has been done waiting year after year for fiscal assistance. It meets every criteria in the act as well as the regulations. Urban growth to the northwest of our city has been under a moratorium because of the 1983 discharge requirements of the Clean Water Act.

As you can imagine, this only makes the problem worse, not only in the construction trades, but in the housing markets as well as the general economic development of the city. Again, to be brief, the application was rejected according to EDA officials because, and I quote, "it was too complex". After much haranguing and insisting "complexity" was not a good enough excuse, the application was accepted but not funded.

Subsequently, "complexity" was defined to mean "environmental impact." It did not matter, we were told, whether another Federal agency had already done the environmental impact and satisfied the National Environmental Policy Act of 1968—NEPA. We were told EDA would, in fact, be obliged to reinvent the wheel and under the 60-day congressional mandate there simply was not time.

Last, Mr. Chairman, I would like to say a few words about the use of the "per capita income" criteria. Every program with which I am familiar, whether it be title I of the Housing and Community Development Act, the Comprehensive Employment and Training Act, General Revenue Sharing, and so forth, utilize the so-called "poverty index" to factor in the Nation's poor. As anyone familiar with these items knows, the "poverty income index" is a more meaningful figure because it does two things. First it relates directly to an individual and his family and is not an average as is the per capita income. Second, the "poverty index" recognizes the inherent economic differences between rural and urban areas. Perhaps no single factor in my mind leads to more distortion of EDA's decisionmaking than the use of per capita income criteria. I would strongly urge the committee to use the poverty income criteria.

In conclusion, Mr. Chairman, we might ask ourselves, relative to the intent of Congress, whether the EDA was the proper agency to have administered this program in the first place. I am not convinced it was from the several unfortunate and, frankly, unsatisfactory inquiries I have had with that agency during the past few months. If indeed we are to accept EDA's defense under the 60-day mandate, then, Mr. Chairman, we should look to ourselves as part of the problem which is outlined here today.

I want to thank you, Mr. Chairman, for accepting my testimony and I hope that what I have said adds some light to the problem or adds to the testimony of others. Thank you.

Senator GRAVEL. In view of the fact there is a vote on right now, we will recess for 15 minutes.

Senator, you will be back if there are any questions the committee would like to ask you.

Senator ZORINSKY. Thank you.

[Brief recess.]

Senator GRAVEL. The hearing will come to order.

Our next witness is Phyllis Lamphere, president, National League of Cities. It is nice to see somebody from our neck of the woods occupy such a broad-gage position.

STATEMENT OF PHYLLIS LAMPHERE, PRESIDENT, NATIONAL LEAGUE OF CITIES, AND MEMBER OF THE SEATTLE CITY COUNCIL, ACCOMPANIED BY JULIE BINGHAM, STAFF, NATIONAL LEAGUE OF CITIES

Ms. LAMPHERE. Thank you, Mr. Chairman.

Senator GRAVEL. Happy to have you here. Proceed as it is most comfortable to you.

Ms. LAMPHERE. I am Phyllis Lamphere, member of the Seattle City Council and president of the National League of Cities. I would like to introduce Julie Bingham who is from the staff of the National League and has led our efforts to analyze the effect of round one on the LPW effort.

I also want to thank the committee for inviting the views of local officials which, of course, is something in which we are keenly interested. As we have all learned, the economic recovery program has to have several elements in it. First is logically public employment. Another element is tax rebate; industrial tax incentives and private sector employment opportunities. All of these facets are needed.

Title I of Local Public Works is particularly significant in that it attempts to stimulate the private sector directly and at the same time provide needed local public facilities that have had to be neglected over a period of years. There is no question about several of the outcomes. One, that public works will create jobs. Second, that it will meet an important number of local capital needs across the Nation. We hope there will no longer be questions about the capacity of a Federal public works program to be implemented quickly enough to realize the desired result of economic stimulus.

There is a very important question, however, about whether the selected projects represent the best attempt to reduce unemployment and provide essential public facilities in areas and jurisdictions experiencing the greatest need. After an extensive analysis of the first round of LPW funding, the National League of Cities has been forced to conclude that the final objective to which I just alluded was not achieved. I will use my own State of Washington to show you why this conclusion was reached.

Senator GRAVEL. Would you repeat that last objective?

Ms. LAMPHERE. The last objective ways whether the selected projects represent the best attempt to reduce unemployment and provide essential public facilities in areas and jurisdictions experiencing the greatest need.

Senator GRAVEL. Good. Thank you.

Ms. LAMPHERE. Let me illustrate with the State of Washington. No projects were funded in any major city in our State. The largest city to receive an award rated 17th in population and has a population of 22,000. The next largest city to receive a grant ranks 33d. A project for $1.3 million was funded with the labor market of 103 unemployed persons. A fairly small project, $300,000, in eastern Washington, across the Cascade Mountains—Senator, you know this geography—was able to claim all of King County on the west side of the mountains as its labor market. This gave the applicant the largest single market in the State, larger than any applicant in the heavy populated Puget Sound region which is the largest natural labor market in the State.

The Spokane County, an urban area, received one grant for $367,000, which amounted to $36.88 per unemployed person. On the other hand, a grant to Garfield County of $833,000 meant over $11,000 per unemployed person in that county. Half of the State's population lives in the Puget Sound region, and yet no grant was received by or within the boundaries of the major cities of Seattle, Takoma, Everett, Bremerton, or Bellevue. The major grant in the area was for $3.8 million, almost 10 percent of the State allocation, and it went for a water and sewer project in semirural Pierce County.

What I have described in the State of Washington is but one example of the disturbing trend across the Nation in the patterns of LPW funding. Our written statement which you have before you includes an extensive catalog of what NLC believes to be the inequitable, irrational results of not targeting funds to areas and jurisdictions that need it. The patterns we see are the following: underfunding of metropolitan areas in comparison to rural areas; underfunding of medium and large jurisdictions in comparison to small jurisdictions; underfunding of central cities in comparison to suburban jurisdictions; underfunding of general purpose governments in comparison to special purpose districts and Indian tribes.

These patterns were not uniform across the Nation. For example, Indian tribe funding hurt cities primarily in several Western and Northern area States. But examples were widespread enough to cause severe doubts about whether or not the Economic Development Administration completely distorted the intent of Congress.

I am sure many of you have heard this question raised by city officials in your own States. As we began to grapple with the problems of the first round of LPW funding over a month ago, we quickly came to the conclusion that an all-out attack on EDA would not get to the root of the problem. The political atmosphere surrounding the enactment of antirecessionary legislation last year, and we all remember that well, was just not conductive to the production of a well-thought out targeted public works program.

We are not here to lay blame on anyone's doorstep. Most of us who had anything to do with that legislative process were quite satisfied to see an antirecessionary package made into law at all, considering the obstacles that existed at the time. The compromises necessary to insure success resulted in a public works bill claiming the support of so many interests and so many Members of Congress that we all should have known there was something somewhat askew.

This unity was possibly only because the legislation was so loosely structured and so open-ended in terms of eligibility that we all saw ourselves with a piece of the action. The public works law was all-inclusive and left too many primary policymaking responsibilities up to a Federal agency that was illprepared and given to little time to fill that decisionmaking gap.

We cannot excuse EDA entirely for its lack of coverage in the administrative process. The agency indeed took the easy way out by resorting to a rigid, computerized approach to project selection and interpreted the local public works framework so literally that it produced some ridiculous results. On the other hand, how far can we go in faulting a Federal agency for staying within the strict intent of the law?

Reduced to essentials, our basic criticism of EDA's administrative efforts is that projects were so widely broadcast instead of targeted into areas with the greatest need. But the law didn't suggest a targeting approach. Unfortunately, this situation is typical of EDA's history which is one of perpetual imbalance between the legitimate and the large demand for assistance on the one hand and the insufficient resources available to the agency on the other.

Over the years, EDA has been pressured to distribute its funds sparsely and on a national basis. The agency's operations have more nearly resembled a national lottery for developmental resources than a program which entailed economic analysis, planning and continuity of effort as a response to the economic needs of lagging areas and regions. The introduction of countercyclical programs at the end of 1974 further accelerated EDA's drift away from focused, place-oriented efforts and toward a national macroeconomic approach.

We are not suggesting that EDA should not assume responsibility for countercyclical programs, such as local public works program here under consideration. However, just as the absence of a progressive policy focus has hampered EDA's ability to fulfill its original character, so has this policy void limited EDA's success in handling countercyclical programs.

What were the specific failings of the special project system? First, the importance of the number of unemployed, although assigned 30 points in the scoring system, was minimized in the logarithm approach. I am sure the colleagues in the last few days have spelled that out very graphically to you.

Second, the unemployment rate then became a very biased criteria when the extreme rates of some smaller jurisdictions or Indian tribes, which range between 30 and 60 percent, for example, were given the full 25 points. I need not point out to you that all of the problems experienced by Indians are not on reservations, but we have a good deal of problems associated with the urban Indians located in our communities.

Third, the per capita income criteria, although representing only 15 points of the basic rank, appears to have been critical in the distribution between SMSA's and between SMSA's and rural areas. Because suburban jurisdictions could claim the same labor market as central cities, this factor became deciding.

There are two problems with it. First, no account is taken of the standard-of-living differences. Second, it is not a fair measure of need. Average per capita income does not measure either the need of the unemployed or the ability of a jurisdiction to respond to this need.

Fourth, the ability of applicants to choose their labor markets, coupled with EDA's inability to monitor the reasonableness of the areas drawn, greatly affected the final outcome. Both unreasonably small and ridiculously large labor markets were improved.

Fifth, the requirements that 30 percent of all funds be spent in areas with unemployment below the national rate I am sure has also received ample attention by your committee, and comment.

Finally, it is possible that the long-term benefit score hurt the larger, older cities by favoring new construction over rehabilitation of existing facilities. To the extent that this worked against older central cities and in favor of new suburban and ex-urban expansion, we must take exception to the policy.

Frankly, NLC would prefer to go back to the drawing boards on this legislation and develop a truly sound national public works investment policy, rather than recommending cosmetic improvements to remedy the current situation. But we don't have this choice because EDA is sitting on 20,000 applications unfunded and ready to go. It would be a travesty to ignore the tremendous amount of local effort that these applications represent.

So we must strongly recommend that any changes adopted for additional funding this year, that they not so alter the assumptions on which these 20,000 applications were prepared that a wholesale reshaping of them would be required. The changes we recommend could be applied directly to the applications currently on file with the agency. We would recommend the use of unemployment data by jurisdiction in project scoring. Such data which should be based on the uniform 12-month period can be gathered by EDA directly from State employment security agencies, put in the computer, and placed by project area data. This would immediately compensate for the disastrous effects of project area gerrymandering during the first round.

Second, we would recommend the elimination or reduction of the 30 percent. NLC suggests an emphasis on spending a minimum portion of funds, from 80 to 90 percent, in areas experiencing unemployment above the national average. EDA should be given some flexibility to fund jurisdictions with lower unemployment, but only in States whose average unemployment is below the national average. There should be no mandatory requirement to spend a certain percentage of funds in low unemployment areas.

We recommend the use of raw data for numbers of unemployed persons rather than logarithms. This method, combined perhaps with an equal weight given to scoring to both numbers and unemployment rate, would provide a more realistic test for unemployment distress and would again compensate for first round inequities. The elimination of per capita income as a scored criteria, or its substitution with a more realistic measurement of income levels, should also be considered. We are not sure that such a realistic measure of income exists. If it does not, the income criteria should be dropped entirely.

Fifth, we recommend a preference in the scoring system given to units of general purpose local government, for the obvious reasons. The per capita expenditure problems of agencies like school districts are minor compared to their staff and material requirements, and minor compared to the capital needs of general purpose units which are forced to choose between competing priorities for the community as a whole. In particular, building new school facilities in growth areas while letting the capital investments in older cities deteriorate is not a reasonable policy for the Federal Government to pursue.

Sixth, we recommend a national set-aside for Indian tribes of no more than 2½ percent of all funds available. There is general consensus that this would alleviate a serious problem in a number of Western States. We recognize that the changes we are proposing might limit the amount of funds made available to small jurisdictions that do not have jurisdictional unemployment data. For many of these jurisdictions, balance of county data will adequately reflect their unemployment situation.

In addition, EDA could consider the use of a part of a discretionary fund—we could propose a 10- to 20-percent set-aside—for the neediest jurisdictions in this category of small governments lacking unemployment data. The discretionary fund would also be used to make up first round funding deficiencies among local governments with concentrated numbers of local persons of unemployment over the national rate.

Our final recommendation concerns any public works funding made available after this year. Since the current applications on file will be by that time out of date, we will have the opportunity to change the basis on which new applications are submitted. We strongly suggest a sub-State allocation process by county or labor market area, with perhaps a subcounty allocation for cities above a certain size. These allocations should be based on numbers of unemployed persons and unemployment rate, similar to the basis on which EDA made State allocations.

NLC is not recommending a strict entitlement process which we feel would fail to provide funds to small cities in sub-State areas that have significant need. The ability to draw project areas should be reintroduced under strict guidelines to prevent gerrymandering and create uniformity in the use of labor market definition.

Some competition among jurisdictions within sub-State areas should be maintained in order to generate projects that meet local, area and national priorities.

Let me close by saying that methods must be found to direct public works expansion so that these activities will relate to and satisfy other priority national needs. To us it seems self-evident that when so many important cities are in a cycle of decline, that we direct our public works resources to rebuilding these communities before we use public works to add amenities to strong and growing communities.

We urge the Congress as it provides the resources for public works in the interest of strengthening the national economy to relate these expenditures to other high national priorities, the highest of which is our urgent unmet urban needs.

Before I close my remarks, I would like to respond very briefly to the request of your committee staff to comment on the youth community improvement proposal. I commend the committee for its commitment and concern to the problems of youth employment. We are still studying this proposal and would like to reserve final judgment until we have had time to confer with our membership, which we did, in taking the reading of the effectiveness of the distribution of funds in the first round of LPW.

But we have come to some tentative conclusions about this proposal, that is S. 427, and offer them now with a view toward helping the committee with its deliberations. The most effective mechanism in our view for a comprehensive approach to the unemployment problems of urban youth is that already existing and functioning under the Comprehensive Employment and Training Act. CETA prime sponsors have dealt with and resolved the problems of intake. They have established linkages with the school system. They have addressed the problems of identifying and involving the school dropout.

CETA prime sponsors have had some experience in implementing the project approach to provide short-term employment opportunities. While the project approach was formally adopted in the CETA title VI legislation during the last session of Congress, many prime sponsors had already moved in the direction of subcontracting with private, nonprofit groups to provide meaningful job opportunities of value to the community for the long-term disadvantaged as well as the hard core unemployed.

Seattle has used the project approach for youth unemployment purposes below the city level in such areas as recreation, health care, and services to the elderly. Cities have also established ongoing year-round programs, albeit with limited resources, to begin addressing the increasing problems of youth unemployment.

In addition, we have a decade of experience operating summer youth employment programs and restraints of uncertain and very late funding arrangements in most instances. It is our considered judgment that to bypass a functioning and effective mechanism at this point would in all probability be duplicative, disruptive, and confusing, not only to program administrators but to participants as well, we feel, to address the needs articulated in the proposed legislation.

As to some specifics, the Congress should understand that a project approach such as that proposed in S. 427 requires leadtime and will not result in immediate employment opportunities for youth for any category of the unemployed. There could be potential difficulties with labor unions in areas of high unemployment among construction workers. The Seattle experience, involving the use of the construction trades in a supervisory capacity, has worked very well. But where such unemployment is very high, the labor unions will most likely oppose the use of unemployed youth for any sort of construction related work.

The allocation formula contained in the Senate proposal is far too unspecific and relies on unavailable and unverifiable data, such as "youth unemployment." The last thing the Commerce Department needs is another program that provides inadequate policy guidance on money distribution. The proposal leaves too much discretion to the Secretary of Commerce in setting parameters within which the program is to operate.

In general, the National League of Cities does not believe that the Economic Development Administration, the agency we assume would administer the youth program, should be burdened with yet another countercyclical program. The agency already has its hands full with the local public works responsibility. Loading EDA down with another new and untried program would be stretching the agency beyond its limits.

Mr. Chairman, this latter statement we will submit to the committee or the committee staff in writing. Beyond that, may I offer the resources of the National League of Cities in any way we can be useful to you, and I would at this point, with that offer, conclude my formal testimony.

Senator GRAVEL. Thank you very much. You made a real fine contribution to our hearing record.

I would like to pose a few questions to expand upon that. You have referred to the problems with respect to definition of project areas. I wonder if you might have some kind of examples or if you have given some kind of thought to what that definition should be?

Ms. LAMPHERE. Mr. Chairman, let me call on our staff who has been working on this problem. I think you just get more information and better information if we cut through to that.

Ms. BINGHAM. Our general feeling is that until standard labor market areas are defined, and that could be on a State level or with the use of several Federal agencies, that it is not reasonable to use a project area definition for the purposes of eligibility for purposes of judging unemployment and which jurisdictions should receive funds or not. The data is not there on a national basis yet. To allow jurisdictions to draw their own project areas results in exactly what happened in the first round. It should be uniform if it is used. I think until we have that uniformity of labor market definition, that any jurisdiction within such an area would use the same one, we have to stick with individual jurisdictional data.

The problem there, of course, is that for the large cities, for cities over 50,000, we have the data. Other than that, we have balance of county data which in our statement we suggest it would work for some smaller communities. It would correlate with their own unemployment. For others, it won't.

There are pockets in some small communities, in metropolitan areas, and county and rural areas, where the city municipal unemployment is very high. To use a balance of county system does not really judge them any differently than any small community in the area. So that is a problem.

We are looking now into a problem to define that jurisdictional data for the smaller communities, and we are exploring the possibility, for example, of putting together census track data that would approximate boundaries in order to be able to discriminate between ones in the county that have unemployment and the ones that don't. We are still working on it. We are working with the staff on this idea. We haven't found an answer.

We assume that EDA would oppose gathering of more data, particularly as it would come from the States, and that it might delay the program so that the ability to do that in the second round just might not be there.

Senator GRAVEL. Thank you.

If you use raw data for numbers of unemployed, without some system like the logarithm to reduce to some equity the large versus the small, wouldn't the small jurisdictions lose out? Of course, this is something of particular concern in Alaska where we have considerably more smaller jurisdictions.

Ms. BINGHAM. We have that concern ourselves. We recognize that the system EDA used went the other route, to an extreme fashion. We don't have a computer available to us to find out the correct sort of weighting of those two factors. We don't think the numbers of unemployed is the only factor that should be used. We believe rate is an important factor in there in terms of judging between jurisdictions on the severity of the problem.

We have not found a way to weigh those factors in a fair way. That is why we keep bumping up against this problem of small communities. They may have to be dealt with in a different way by a discretionary fund of some sort. Because whenever you throw them in with a large city and numbers are involved at all, you almost [illegible] them ineligible.

Senator GRAVEL. I wonder if you might comment on this suggestion. Certainly, at least from my experience, the cost of living in the rural area is considerably different than the cost of living in a large urban area. So you are saying that if a person is unemployed, the burden of carrying that unemployment in the urban area is more difficult than carrying that degree of unemployment in the rural area. So maybe the cost-of-living element could be added which would measure the degree of pain suffered to some degree by unemployment. That would, of course, vector away from the small rural areas and weight it a little bit toward the problems in the urban areas, which is what you are trying to get at. Is that presently in the formula?

Ms. LAMPHERE. You are talking about an urban factor of some sort?

Senator GRAVEL. An urban factor which would be based upon the cost-of-living differentials.

Ms. BINGHAM. We are told by all agencies involved that they have simply not been there on the national basis.

Senator GRAVEL. It sure is. We use that right now. That is a figure that is readily available, the cost of living.

Ms. BINGHAM. I think that has been our problem with per capita income, that it is not without a cost-of-living adjustment. The reasonable criteria judges income level.

Senator GRAVEL. But that was not used in this formula.

Ms. BINGHAM. It was not used. And EDA indicated they did not have a cost-of-living adjustment for per capita income on a national basis.

Senator GRAVEL. We have someone from EDA here, I believe. Do you care to comment on that? Give your name, please.

Mr. WILLIAM CLINGER. Thank you. William Clinger, Chief Counsel for EDA.

The direct answer is we are operating under the understanding we do not have that available on a national basis and, therefore, do not include it in part of the formula.

Senator GRAVEL. But it is available, pure labor statistics have the cost of living. We have it only for two areas in Alaska, Anchorage and Fairbanks. We have it for a lot of areas around the country. It probably isn't precise for locality to locality. But it certainly would give you a differential in the cost of living from east of Spokane as to what it is in the Puget Sound area, which is considerable, or from the problems in Alabama as opposed to problems in Memphis, Tenn.

I would certainly recommend that maybe you take a look at that and, you could lodge it as requested and get a memo back to the committee to see how feasible that would be as a device which I think would have a tempering influence.

Ms. **Bingham.** The other way of looking at the problem is when you are not throwing urban and rural in together and when in an urban area you are not throwing the central city in competition with its suburban jurisdictions, the income may, as it is without the cost-of-living adjustment, make more sense. It would give you a way of judging in the suburban frame between wealthy suburbans and those that are not so wealthy.

In rural areas in the State the use of per capita income may make some sense in discriminating between communities. But it is when you throw that urban in with rural and urban in with suburban when it gets fouled up.

Senator **Gravel.** I am a little confused. How do you mean throwing them in together?

Ms. **Bingham.** In the applications. EDA's scoring process did not make discriminations in a State between urban and rural and between central cities and surrounding jurisdictions and urban areas. The per capita income factor may be a good way to discriminate among the small communities surrounding a central city—in other words, per capita might tell you if it is high—that that might be a wealthy residential bedroom sort of community. If it is very low, it is one way of pointing out in that fringe area a small community that has severe unemployment or income problems. It is when you throw all of these different areas together that the cost-of-living adjustment is really necessary.

Mr. **Clinger.** Senator, if I may add, I think in our experience with round 1, of course, the per capita income was lower in the balance of county areas. When you had projects competing with the city with balance of county, generally the balance of county project would score higher. Then we ran into the problem where the smaller areas were in effect eating up the entire benchmark of the county.

Senator **Gravel.** That would be offset if you had a cost-of-living factor.

Mr. **Clinger.** That would definitely offset it.

Senator **Gravel.** We reverse it the other way. You might end up in the middle of the stream.

Mr. **Clinger.** We will look at that.

Senator **Gravel.** It might really solve a number of problems.

I am just curious, in your enclosure you have some figures on Alaska. Where did you get the unemployment figures? I know where EDA got theirs, but where did you get yours? It is on page 3.

Ms. **Bingham.** I think it was a representative of the city of Anchorage.

Senator **Gravel.** That is what I expected. My good friend George Sullivan.

Ms. **Lamphere.** I was going to say Mayor Sullivan. He was on our board.

Senator **Gravel.** He took care of himself as he was getting off, I see. He is a good friend of mine. We suspected that was the case. He has already hit us on the disparity.

I think a differential in the cost of living will do some interesting things in Alaska, because I think in our rural areas the cost of living is higher rather than lower, which is different from the national average. But we will look more closely at our situation. I think if we permit the Secretary to have judgment or the administration to have some judgment in our situation, that would help. We need a little more time.

Our uniqueness is something we are underscoring. But that is the way I look at it. It is an unusual place. We have good EDA talent, so they can exercise good judgment.

Ms. Lamphere. Senator, if I may, it is heart warming to sit here and look at you, because so often I am considered so far away from the seat of action that I rarely have the opportunity to look upon one whose problem is even greater.

Senator Gravel. You are not far away. Whenever we get to Seattle, we think we have made it to the outside. Seattle is considered near by our criteria.

I have no further questions. I appreciate your fine testimony. You have added to the solution, I think. Thank you. And have a good trip back to Seattle.

Ms. Lamphere. Thank you.

[Ms. Lamphere's written statement follows:]

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STATEMENT BY

PHYLLIS LAMPHERE
Councilmember for the City of Seattle
President of the National League of Cities

on behalf of the

NATIONAL LEAGUE OF CITIES

on

Title I of the
Local Public Capital Development and
Investment Act of 1976

before the

SENATE PUBLIC WORKS COMMITTEE
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT

February 2, 1977

The National League of Cities, representing some 15,000 U. S. cities through a network of state municipal leagues and direct city membership, fully supported enactment of the Local Public Works Capital Development and Investment Act of 1976 (P.L. 94-369). We knew that a large proportion of our cities, large and small, were having to take drastic budgetary measures as a result of the national recession, not the least of which were the postponement of critical capital investments that form very basis of a city's continuing economic health.

It is unfortunate and disturbing that the crisis of an economic recession was needed to bring attention to problems that many cities have been experiencing for decades--rising unemployment, economic decline, and the deterioration of vital public infrastructure.

Title I of P.L. 94-369 seemed an important step toward reducing some portion of the tremendous backlog of public works projects existing at the local level. Moreover, the law included some provisions--such as the tight deadlines for the Economic Development Administration as well as for applicants--that created the possibility of demonstrating the anti-recessionary usefulness of a public works approach that former programs of this sort have in some ways failed to do. As an important public policy experiment, alone, Title I deserved the support of an organization like the National League of Cities.

Subsequent to enactment of P.L. 94-369, NLC devoted significant resources to the job of informing city officials about the provisions of Title I and monitoring EDA's implimentation of the program. Considering how closely we followed this program from its origins, our bewilderment at EDA's project selections, announced on December 23, is all the more surprising.

We were shocked to see that 15 of the 46 largest cities in the U. S. received no LPW funding; that six of these 15 cities had at least 14 percent of their state's unemployed residing in their jurisdictions; that one of the 15 cities receiving no funding contains fully 40 percent of its state's unemployed persons.

As data concerning the largest cities poured in, NLC began an extensive analysis of LPW funding patterns and of EDA's project selection process in order to find out "what went wrong." Our general conclusion is that in many states and substate areas, the LPW grant selections do not represent a rational targeting of federal funds into the jurisdictions experiencing either the greatest need--measured in terms of unemployment and need for public facility assistance--or the greatest capacity to use federal funds quickly and efficiently.

A further conclusion is that the LPW law was not particularly designed to accomplish the "rational targeting" described above, nor was the Economic Development Administration either capable or willing to accomplish this targeting on its own.

The political atmosphere surrounding enactment of anti-recessionary legislation last year was simply not conducive to the production of a well-thought-out, targeted public works program. NLC does not lay the blame at any one doorstep. Most of us who had anything to do with that legislative process were quite satisfied to see an antirecessionary package make it into law at all, considering the obstacles existing at that time. The compromises necessary to insure success resulted in a public works bill that claimed the support of so many interests, and so many Members of Congress, that we all should have known there was something drastically wrong. When was the last time the cities, (large and small), the counties, the states, the educational groups, all parts of the labor movement, groups representing Indians, engineers, consultants, special purpose districts--and 400 some members of the House together with 60 some members of the Senate--all supported the same piece of legislation? That that kind of unity is rare in Washington, possible only because the legislation was so loosely structured and so open-ended in terms of eligibility that everyone saw themselves with a piece of the action.

How was this open ended eligility accomplished?

(1) The term "local government" was defined to include any sort of political subdivision, regardless of whether or not the unit in question is representative of the general community. This automatically made eligible literally hundreds of thousands of special purpose units, to compete not only against each other

but also against the cities, towns, counties and states that have the primary, general governing responsibility in the U. S.

(2) The law required 30 percent of all funds to be spent in areas with unemployment below the national average. Automatically, every jurisdiction in the nation could see itself as a potential grantee under the LPW program with the inclusion of this provision.

(3) For purposes of gaining unemployment eligibility, a jurisdiction could carve out a high unemployment neighborhood or draw in adjoining areas. Needless to say, this provision opened the door to thousands of local jurisdictions that otherwise would never have been in the competition.

(4) The provision allowing an applicant to apply for planning funds created the impression that (a) applicants could completely avoid front-end financing; and (b) a project need not be in the readiness stage in order to become eligible for LPW funding.

(5) The absence of legal specificity concerning what projects, areas and jurisdictions were to receive priority made complete the open-endedness of the LPW law. Although the debate surrounding LPW enactment focused continually--almost solely--on the severe unemployment in cities as the reason for legislation, not once in the law itself is numbers of unemployed persons mentioned as a priority consideration. The law made no discrimination between large and small jurisdictions with the same rate of unemployment, choices which we all knew would be necessary.

The point is that the public works law was all-inclusive, and left too much primary policy-making up to a federal agency that was ill-prepared and given too little time to fill the decision-making gap.

We cannot excuse EDA entirely for its lack of courage in the administrative process. The Agency indeed took the easy way out by resorting to a rigid, computerized approach to project scoring and selection; and interpreted the local public works legislative framework so literally that it produced some ridiculous results.

We think, for example, that EDA could have reduced the inequity of the 70/30 split by apportioning the split on a national rather than a state basis. The Agency could have chosen not to use an income criteria so biased against urban areas as per capita income. The choice of giving much greater weight to unemployment rates than numbers of unemployed persons was an Agency choice. EDA, we believe, had the administrative descretion to establish strong guidelines on project area determination which might have prevented many of the funding inequities. Most importantly, the Agency could have chosen the path of tentative sub-state allocations early in program implementation, a step that would surely have prevented much of the waste of local resources represented by 25,000 LPW applications.

On the other hand, how far can we go in faulting a federal agency for staying within the strict intent of the law? Reduced to essentials, our basic criticism of EDA's administrative effort is that projects were widely broadcast instead of targeted into areas with the greatest needs.

But the law did not suggest a targeting approach. Unfortunately, this situation is typical of EDA's history which is one of perpetual imbalance between the legitimate and large demand for EDA assistance on one hand and the insufficient resources available to the Agency on the other. Over the years EDA has been pressured to distribute its funds sparsely on a national basis. The Agency's operations have more nearly resembled a national lottery for developmental resources, than a program which entailed economic analysis, planning and continuity of effort as a response to the economic needs of lagging areas and regions.

The introduction of countercyclical programs at the end of 1974 further accelerated EDA's drift away from focused, place-oriented efforts and toward a national macro-economic approach.

Moreover, EDA is still regarded as a rurally oriented Agency while the United States has come to be described as an urban nation. Over the years, people have gravitated toward urban centers, while metropolitan communities have increased in regional size. The United States is said to be an urban nation because three-fourths of its people have chosen to live very close to their neighbors. And 95 percent find it desirable to live with commuting distance from some metropolitan center.

While to some degree EDA has responded to metropolitan needs, it is at least unclear that the Agency has adjusted its programs and policies to the changing character of the country. It is probably fair to say that EDA is still regarded as predominately oriented to the needs of the less populated rural areas. This appraisal of the concentration of EDA's attention was reflected in the December 1972 proposal to phase out and to consolidate EDA's programs with the Department of Agriculture's rural development activities. This proposal, of course, was rejected by the Congress.

Nevertheless, if the character of the problems of the nation's distressed areas has changed since 1965 as the nation's urbanization processes continued, it is difficult to see substantive revisions in the EDA orientation and programs to match these developments. Although urban economic problems have proliferated, so far as we have been able to observe, EDA has not taken steps to meet emerging urban developmental needs. This raises questions as to EDA's perception of national needs.

We are not suggesting that EDA should not assume responsibility for countercyclical programs such as the local public works program here under consideration. However, just as the absence of a progressive policy focus has hampered EDA's ability to fulfill its original charter, so has this policy void limited EDA's success in handling countercyclical programs.

The LPW program has accomplished two out of three major goals. First, there is no question that the program will have some positive impact on aggregate national unemployment. Second, it is to EDA's credit that it proved--we hope once and for all--that a federal public works program can be put into effect quickly enough to make it a valid weapon in the arsenal against national economic downturns.

The third goal--unaccomplished in NLC's view--is selection of projects that reduce unemployment and provide essential public facilities in areas and jurisdictions experiencing the greatest need. The State of Washington provides a good example of the program's failure to accomplish this important goal.

No projects were funded in any major city. The largest city to receive funds has a population of 22,000 and ranks 17th in the state. The next largest city to receive funds ranks 33rd. No grants were made in the Puget Sound region, where over half the state's population lives. No grants were received by or within the boundaries of the major cities of Seattle, Tacomah, Everett, Bremerton or Bellevue. The major grant in the area was $3.5 million--almost 10 percent of the state's allocation--for a water and sewer project in semi-rural Pierce County.

The State of Washington is but one example of a disturbing trend across the nation in the patterns of LPW funding. At the end of this statement is an extensive catalogue of what NLC believes to be the inequitable, irrational results of not targeting funds to areas and jurisdictions with the greatest need.

Generally, our conclusions are:

- Underfunding of metropolitan areas in comparison to rural areas;

- Underfunding of medium and large jurisdictions in comparison to very small jurisdictions;
- Underfunding of central cities in comparison to suburban jurisdictions; and
- Underfunding of general purpose governments in comparison to special purpose districts and Indian tribes.

These patterns were not uniform across the nation; for example, Indian tribe funding hurt cities primarily in several of the western states. But examples are widespread enough to cause severe doubts about the efficacy of EDA's project scoring and selection system.

Let me point to the specific ways this system caused the inequities I mentioned above.

1) The importance of the number of unemployed, although assigned 30 points in the scoring system, was deemphasized by use of the logarithm of the actual number. The following example in the State of Washington illustrates this point:

> The smallest labor market claimed by an applicant included 103 unemployed while the largest included 59,290 unemployed persons. These extremes and various other labor market areas and their logarithms are:

Number of Unemployed	Approximate Logarithm
103	2.0128
2,830	3.4518
6,797	3.8323
10,573	4.0242
16,044	4.2053
32,642	4.5138
47,850	4.6799
59,290	4.7730

Regardless of how EDA then dealt with this array the use of logarithms says that 10,000 unemployed persons is only twice as bad as 100 and that almost 60,000 unemployed is only 2.387 times as bad as 100. It is obvious that this particular methodology negated the importance of this factor.

2) Unemployment Rate became a very biased criteria because of the extreme rates of certain small jurisdictions and, in some of the Western States, Indian Tribes.

Raw unemployment rates were arrayed from the highest to lowest in a "normalized" manner. This is a term used in the Procedural Manual which EDA representatives explained as involving the use of a normal distribution and standard deviation computations.

The result was that small jurisdictions or Indian Tribes with extreme rates of unemployment, 31, 54, and up to 69 percent, received the maximum score of 25 points while the next highest score was probably 6 points for an unemployment rate of 13 or 14 percent. (Note: It has not been possible to verify this information but examination of the final project ranking list leads it credence).

It is our opinion that the application of this criterion without regard to population or numbers of unemployed consistently worked to the disadvantage of all applicants except for a very few, representing few people, who have extreme rates of unemployment.

3) Although income level represented only 15 points of the Basic Rank it appears that this factor was critical within SMSAs.

Within a given labor market all applicants can use the same unemployment rate and numbers of unemployed data. Assuming that applicant controllable factors, such as labor intensity, long-term benefits and relation to approved plans, were equal, the determining factor would be per capita income. The assumption is that some smaller jurisdictions within major labor markets would have a lower per capita income than the central city. (Note: We think this factor was regionally significant and may have been so nationally but the research would have to be done by an agency with access to national data and the resources to apply to the problem).

> An additional problem with this factor appears to be its lack of geographic definition for school districts and other special districts. EDA stated that income levels could only be used for the applicant's jurisdiction, however, EDA did not have available data for special districts. Thus, unless a school district voluntarily identified its boundaries as being conterminous with one, or a combination of two or more, general purpose government boundaries EDA utilized county-wide data. Since this information was not requested by EDA it raises the possibility of a relatively well off district not supplying it and thus being able to use more beneficial data, i.e., lower per capita income level data from the county at large.

4) The ability of applicants to choose their labor markets coupled with EDA's inability to monitor the reasonableness of the areas drawn, greatly affected the final outcome. There are many examples of the unfortunate results of this provision. A $350,000 project in an eastern Washington county claimed King County as part of its labor market, giving it the largest number of unemployed in the state, 59,200. This is 800 more than the King/Snohomish Consortium, which is the largest natural labor market area in the entire State of Washington.

5) The requirement that 30 percent of all funds be spent in areas with unemployment below the national rate combined with EDA's county benchmark system to produce further unfortunate results. If EDA ran out of 70 percent money before a particular area within a state was awarded any grants, the only possible grants in that area were out of the 30 percent pot. The result in many areas was that the most heavily unemployed jurisdiction--

often the central city--went unfunded while neighboring jurisdictions with lower unemployment received sizable awards.

6) Our final concern about the project scoring system is the possibility that the long-term benefits score hurt the larger, older cities by favoring new construction over rehabilitation of existing facilities. To the extent that this worked against older central cities and in favor of new suburban and exurban expansion, we must take strong exception to the policy.

Recommendations

Very frankly, NLC would prefer to go back to the drawing board and develop a truly sound national public works investment policy rather than recommend cosmetic improvements to remedy first-round LPW funding problems. We do not appear to have this choice, however, because EDA is sitting on 20,000 unfunded LPW applications. It would be a travesty to ignore the tremendous local effort these applications represent. So we must strongly recommend that any changes adopted for additional funding this year do not so alter the assumptions on which the 20,000 applications were prepared and that a wholesale reshaping of them is required. The changes we recommend could be applied directly to the applications on file with EDA.

1) The use of unemployment data by jurisdiction in project scoring. Such data can be gathered by EDA directly from state employment security agencies and put in EDA's computer in place of project area data. This would immediately compensate for the disastrous effects of project area gerrymandering during the first round of funding.

2) The use of annual average unemployment data. One problem that arose in the first round of LPW funding was the use of unemployment data that was not seasonally adjusted. This situation resulted from the statutory requirement that decisions be based on data for the three most recent consecutive months and on the fact that the Department of Labor could not provide seasonally adjusted data for small areas. The effect of using seasonally unadjusted data was exacerbated by EDA's use of unemployment data for the months of May, June and July, 1976 in making state allocations, while most applicants used BLS published data for April, May and June, 1976. States and communities having significant resort or farm areas were discriminated against since employment seasonally rises during these months. Similarly, there is reason to believe that the practice may have led to undercounting unemployment levels throughout the northern part of the country where a variety of economic activity tends to pick up in the spring and summer months.

To correct this situation and to ensure that no bias is created by this most important indicator of economic need, NLC recommends that EDA use annual average unemployment data for state allocation decisions and for applicant jurisdictions. We understand that the Bureau of Labor Statistics may still not be in a position to provide seasonally adjusted unemployment figures for small areas, but that it can provide annual averages which serve the same purpose.

3) The elimination of the 30 percent pot. With funds so limited, and with the huge numbers of jurisdictions experiencing unemployment over the national average, we feel strongly that the dilution effects of the 70/30 formula should be reduced. At a minimum, no grants should go to jurisdictions with unemployment below the national rate in "states where" unemployment is over the national average. NLC believes that an absolute requirement to spend a certain portion of funds in relatively low-unemployment areas creates unnecessary problems both for EDA and local applicants. The emphasis should be on spending a minimum amount of available funds--we recommend 80 to 90 percent--in areas with unemployment above the national average. With this approach, Congress could afford to lower the basic eligibility criteria (to 6.5 percent or lower)" in states with relatively minor unemployment problems.

4) The use of raw data for numbers of unemployed persons rather than logarithms. This method, combined perhaps with an equal weight given in scoring to both numbers and unemployment rate, would provide a more realistic test for unemployment distress and would again compensate for first round inequities.

5) The elimination of per capita income as a scored criteria or its substitution with a more realistic measurement of income levels. An alternative might be the percent of individuals or families in an applicant jurisdiction living below the poverty line.

6) A preference in the scoring system given to units of general purpose local governments. On this issue we cannot waiver. We are dismayed at the level of school district funding during the first round. The capital expenditure problems of school districts are minor compared to their staff and material requirements and minor compared to the capital needs of general purpose units, which must choose between competing priorities for the community as a whole. In particular, building new school facilities in growth areas while letting the capital invesments in older cities deteriorate is not a reasonable policy for the federal government to pursue.

6) A national set-aside for Indian tribes of no more than 2-1/2 percent of all funds available. There is general consensus that this would alleviate a serious problem in a number of western states.

We recognize that the changes we are proposing might severely limit the amount of funds made available to small jurisdictions that do not have jurisdictional unemployment data.

EDA could easily identify applications from such jurisdictions once state unemployment data came in on all other jurisdictions. If the problem appeared significant, EDA could use part of a discretionary fund--we propose a 10 to 20 percent set-aside--for the neediest jurisdictions in this category of small governments lacking unemployment data. The discretionary fund would also be used to make up first round funding deficiencies among local governments with concentrated numbers of unemployed persons and unemployment over the national rate.

Our final recommendation concerns any public works funding made available after this year. Since the current applications on file will by that time by out-of-date, we will have the opportunity to change the basis on which new applications are submitted. We strongly suggest a substate allocation process by county or labor market area, with perhaps a sub-county allocation for cities above a certain size. NLC is not recommending a strict entitlement process, which we believe would fail to provide funds to small cities and substate areas that have significant need. If the ability to draw project areas was re-introduced--under strict guidelines to prevent gerrymandering--along with a substate allocation, then a healthy amount of competition might be maintained at the substate area level.

Whether or not a jurisdiction can legitimately claim to be part of a larger labor market, it should first have to qualify based on jurisdictional data; then it would have the option of using labor market or jurisdictional data.

In the future minimum and maximum labor markets should be defined and their application enforced. No jurisdiction should be able to utilize a labor market that cannot realistically be expected to provide the needed number and skills of workers required for a project. Further, anytime a non-SMSA jurisdiction attempts to claim part of an SMSA as part of its labor market there should be a clear and compelling reason. The decision should be based on documented work trip patterns and should be significant (i.e., a county adjoining an SMSA should not be able to claim all or part of an SMSA if work trip patterns show that it only draws 1, 2 or 5 percent of its labor from the SMSA. An alternative would be for the states or BLS to define standard labor markets for all areas of the state.

Conclusion

I close with some observations about local public works.

Public works merit the popular support they generate. They make a long term contribution to the welfare of people in a way that transfer payments cannot. They can strengthen the national economy; and they react and reduce significantly some kinds of unemployment. Moreover, there is substantial evidence that public construction is presently proceeding at a rate so low that the real value of public capital is not being maintained. We know this is true in many cities.

We are told, for example, that the current volume of public works outlays in real terms is 25 percent lower than ten years ago in an economy that is 30 percent larger in real terms. This is a matter of some concern apart from the need to support national economic growth.

When, as in our present situation, it is desirable to stimulate and assist public works construction to strengthen the economy, it is also desirable, we believe, to structure our public works efforts to maximize the benefits of this spending. Methods must be found to direct public works expansion so that these activities will relate to and satisfy other priority national needs.

Given our present circumstances and needs, it is probably more useful to build projects to protect the environment than new public tennis courts, or to construct resource recovery facilities instead of zoos; or build humane jails instead of recreational centers. To us it seems self evident that when so many important cities are in a cycle of decline, that we direct our public works resources to rebuilding these communities before we use public works to add amenities to strong and growing areas.

We urge the Congress, as it provides the resources for public works in the interest of strengthening the national economy, to relate these expenditures to other high national priorities, the highest of which is our urgent unmet urban needs.

APPENDIX A

LPW Allocations to
Cities Over 100,000 in Population
in High Unemployment States

National League of Cities

LPW ALLOCATIONS - CITIES OVER 100,000
IN HIGH UNEMPLOYMENT STATES
(in thousands of dollars)

STATE	LPW ALLOCATION	UNEMPLOYMENT RATE	SHARE OF STATE UNEMPLOYMENT	SHARE OF STATE LPW ALLOCATION
CALIFORNIA				
Anaheim	$ 1,455	7.46%	.8%	.6%
Berkeley	-0-	15.91%	1.1%	-0-
Fremont	-0-	9.64%	.4%	-0-
Fresno	238	8.14%	.8%	.1%
Garden Grove	2,175	7.47%	.6%	.9%
Huntington Beach	567	6.86%	.5%	.2%
Long Beach	-0-	9.39%	1.6%	-0-
Los Angeles	26,800	10.44%	15.0%	11.0%
Oakland	4,900	15.10%	2.7%	1.9%
Pasadena	2,567	7.42%	.4%	1.0%
Riverside	-0-	8.32%	.6%	-0-
Sacramento	-0-	10.30%	1.4%	-0-
San Bernardino	-0-	10.23%	.5%	-0-
San Diego	1,600	11.93%	4.0%	.6%
San Francisco	5,000	12.49%	5.0%	2.0%
San Jose	-0-	9.96%	2.5%	-0-
Santa Ana	6,176	7.96%	.8%	2.5%
Stockton	-0-	10.60%	.6%	-0-
Torrance	-0-	7.06%	.5%	-0-
Total	$			
CONNECTICUT				
Bridgeport	3,244	13.3%	6.7%	6.7%
Hartford	4,998	12.2%	6.6%	10.3%
New Haven	3,744	12.0%	5.5%	7.7%
Stamford	2,591	9.1%	3.7%	5.3%
Waterbury	4,332	12.3%	4.6%	8.9%
Total	$			
FLORIDA				
Fort Lauderdale	-0-	12.19%	2.8%	-0-
Hialeah	2,789	9.83%	1.8%	2.0%
Hollywood	-0-	13.91%	2.3%	-0-
Jacksonville	8,461	7.23%	4.9%	6.2%
Miami	-0-	12.10%	7.1%	-0-
St. Petersburg	-0-	8.43%	2.5%	-0-
Tampa	1,468	12.91%	4.9%	1.1%
Total	$12,718		26.3%	9.3%
GEORGIA				
Atlanta	4,803	9.59%	17.8%	19.3%
Columbus	-0-	6.49%	3.1%	-0-
Macon	-0-	7.30%	3.0%	-0-
Savannah	-0-	7.02%	2.3%	-0-
Total	$ 4,803		26.2%	19,3%

LPW Allocations - Cities over 100,000 in High Unemployment States (in thousands)
Page -2-

STATE	ALLOCATION	UNEMPLOYMENT RATE	SHARE OF STATE UNEMPLOYMENT	SHARE OF STATE LPW ALLOCATION
ILLINOIS				
Chicago	$ 30,200	9.21%	33.4%	47.0%
Peoria	-0-	5.94%	1.0%	-0-
Rockford	-0-	9.62%	1.9%	-0-
Total	$ 30,200		36.3 %	47.0%
INDIANA				
Evansville	-0-	4.71%	2.2%	-0-
Ft. Wayne	-0-	6.66%	4.4%	-0-
Gary	3,095	8.34%	4.7%	13.6%
Hammond	-0-	5.93%	2.2%	-0-
Indianapolis	4,126	5.01%	14.4%	18.1%
South Bend	-0-	5.37%	2.4%	-0-
Total	$ 7,221		30.3%	31.7%
MARYLAND				
Baltimore	5,800	8.48%	25.3%	29.0%
MASSACHUSETTS				
Boston	7,760	10.1%	13.5%	14.5%
Cambridge	1,730	9.3%	2.2%	3.3%
New Bedford	-0-	9.1%	2.0%	-0-
Springfield	-0-	9.0%	3.1%	-0-
Worcester	-0-	8.5%	3.2%	-0-
Total	$ 9,490		24.0%	17.8%
MICHIGAN				
Ann Arbor	2,000	5.59%	0.8%	1.3%
Detroit	25,000	13.81%	17.8%	16.0%
Flint	-0-	10.90%	2.2%	-0-
Grand Rapids	-0-	8.61%	2.2%	-0-
Lansing	-0-	8.57%	1.5%	-0-
Livonia	4,840	5.70%	0.7%	3.1%
Warren	5,000	8.06%	1.7%	3.2%
Total	$ 36,840		26.9%	23.6%
MINNESOTA				
Duluth	5,000	8.06%	3.5%	29.7%
Minneapolis	648	6.97%	17.2%	3.8%
St. Paul	-0-	6.61%	10.7%	-0-
Total	$ 5,648		31.4%	33.5%
NEW JERSEY				
Camden	3,539	14.7%	2.3%	3.5%
Elizabeth	-0-	10.5%	1.8%	-0-
Jersey City	2,660	11.0%	3.7%	5.7%
Newark	12,548	16.7%	8.6%	12.5%
Paterson	4,701	14.9%	3.0%	4.7%
Trenton	-0-	9.7%	1.6%	-0-
Total	$ 23,448		21.0%	26.4%

LPW Allocations - Cities over 100,000 in High Unemployment States (in thousands)
Page -3-

STATE	ALLOCATION	UNEMPLOYMENT RATE	SHARE OF STATE UNEMPLOYMENT	SHARE OF STATE LPW ALLOCATION
NEW YORK				
Albany	$ -0-	7.71%	0.6%	-0-
Buffalo	8,600	13.16%	3.7%	3.6%
New York	102,000	10.47%	45.2%	43.7%
Rochester	7,340	9.05%	1.9%	3.1%
Syracuse	-0-	8.93%	1.2%	-0-
Yonkers	-0-	8.53%	1.2%	-0-
Total	$117,940		53.8%	50.4%
OHIO				
Akron	-0-	9.09%	3.2%	-0-
Canton	-0-	9.45%	1.4%	-0-
Cincinnati	2,570	9.18%	5.6%	4.3%
Cleveland	5,000	9.60%	7.5%	8.4%
Columbus	2,700	7.18%	5.8%	4.5%
Dayton	682	8.44%	2.7%	0.1%
Parma	-0-	4.19%	0.6%	-0-
Toledo	-0-	7.03%	3.7%	-0-
Youngstown	2,739	11.09%	2.0%	4.6%
Total	$ 13,691		32.5%	22.9%
OREGON				
Portland	$ 326	9.49%	19.6%	1.1%
PENNSYLVANIA				
Allentown	-0-	8.56%	1.2%	-0-
Erie	-0-	10.27%	1.6%	-0-
Philadelphia	7,366	9.29%	16.6%	8.0%
Pittsburgh	-0-	9.16%	4.9%	-0-
Scranton	-0-	9.40%	1.1%	-0-
Total	$ 7,366		25.4%	8.0%
RHODE ISLAND				
Providence	$ 4,969	11.1%	22.3%	30.2%
WASHINGTON				
Seattle	-0-	8.7%	17.4%	-0-
Spokane	-0-	8.3%	4.7%	-0-
Tacoma	-0-	11.2%	5.4%	-0-
Total	$ -0-		27.5%	-0-
WISCONSIN				
Madison	-0-	3.87%	3.3%	-0-
Milwaukee	6,200	7.74%	19.0%	29.0%
Total	$ 6,200		22.3%	29.0%

APPENDIX B

Analysis of LPW Allocations in Selected SMSAs

(Central City vs. Non-Central City Funding)

National League of Cities

LPW ALLOCATIONS

Central City/SMSA Comparisons

	SMSA		CENTRAL CITY	
	% of State Unemployed	% of State LPW Dollars Awarded	% of State Unemployed	% of State LPW Dollars Awarded
Brockton, Mass. (UR[1]-7.6%)	2.9%	18.1%	2.3%	0.0%
Buffalo (UR-9.1%)	8.4	13.1	4.0	2.0
Louisville (UR-5.9%)	34.1	34.7	17.0	0.0
Oklahoma City (UR-7.6%)	30.0	13.9	17.2	0.0
Omaha (UR-4.6%)	58.8	30.6	40.0	0.0
Pittsburg (UR-7.7%)	17.6	13.9	5.0	0.0
Tulsa (UR-7.5%)	23.0	10.4	14.3	0.0
Twin Cities (UR-6.8%)	59.6	26.6	27.9	3.9

[1] UR = Unemployment Rate

[2] Average of St. Paul (6.61%) and Minneapolis (6.97%)

Central City (CC) Unemployment rate 7.02
&
Balance of CC County Unemployment 5.31

SAVANNAH, GEORGIA SMSA

Government	Number of Projects 70%	Number of Projects 30%	Project Dollars 70%	Project Dollars 30%	Project Dollars Total	Project Dollars as Percent of SMSA 70%	Project Dollars as Percent of SMSA Total	Project Dollars as Percent of SMSA 30%
1) Savannah Central City(ies)	0	0	$ 0	$ 0	$ 0	0	0	0
2) Chatham County Govt of Central City	0	0	0	0	0	0	0	0
3) Special districts within CC	0	0	0	0	0	0	0	0
4) Total CC involvement (1-3)	0	0	0	0	0	0	0	0
5) Other County Govt.	0	0	0	0	0	0	0	0
6) 25,000-50,000 (Municipalities)	0	0	0	0	0	0	0	0
7) 10,000-25,000 (Municipalities)	0	0	0	0	0	0	0	0
8) 5,000 -10,000 (Municipalities)	0	0	0	0	0	0	0	0
9) Under 5,000	0	1	0	$ 112,382	$112,382	0	100%	100%
10) School Systems outside CC	0	0	0	0	0	0	0	0
11) Special districts outside CC (5-11)	0	0	0	0	0	0	0	0
12) Total geographically outside CC (5-11)	0	1	0	112,382	112,382	0	100%	100%
13) TOTALS	0	1	0	$ 112,382	$112,382	0	100%	100%

Central City (CC) Unemployment rate 7.18

Balance of CC County Unemployment 5.10

COLUMBUS, OHIO SMSA

Government	Number of Projects		Project Dollars			Project Dollars as Percent of SMSA		
	70%	30%	70%	30%	Total	70%	Total	30%
1) Central City(ies) Columbus	0	4	0	$2,698,905	$ 2,698,905	0	55.1%	0
2) County Govt of Central City Franklin	0	0	0	0	0	0	0	0
3) Special districts within CC	0	1	0	256,110	256,110	0	5.2%	0
4) Total CC involvement (1-3)	0	5	0	2,955,015	2,955,015	0	60.3%	0
5) Other County Govt.	0	0	0	0	0	0	0	0
6) 25,000-50,000 (Municipalities)	0	1	0	339,569	339,569	0	6.9%	0
7) 10,000-25,000 (Municipalities)	0	0	0	0	0	0	0	0
8) 5,000 -10,000 (Municipalities)	0	0	0	0	0	0	0	0
9) Under 5,000	0	1	0	1,430,682	1,430,682	0	29.2%	0
10) School Systems outside CC	0	1	0	171,285	171,285	0	3.5%	0
11) Special districts outside CC (5-11)	0	0	0	0	0	0	0	0
12) Total geographically outside CC (5-11)	0	3	0	1,941,536	1,941,536%	0	39.6%	0
13) TOTALS	0	8	0	$4,896,551	$ 4,896,551	0	100%	0

Central City (CC) Unemployment rate 7.94

Balance of CC County Unemployment 9.98

PHOENIX ARIZONA SMSA

Government	Number of Projects 70%	Number of Projects 30%	Project Dollars 70%	Project Dollars 30%	Project Dollars Total	Project Dollars as Percent of SMSA 70%	Project Dollars as Percent of SMSA Total	Project Dollars as Percent of SMSA 30%
1) Phoenix Central City(ies)	0	0	0	0	0	0	0	0
2) Maricopa County Govt of Central City	2	0	$1,197,310	0	$1,197,310	91.9%	0	91.9%
3) Special districts within CC	0	0	0	0	0	0	0	0
4) Total CC involvement (1-3)	2	0	1,197,310	0	1,197,310	91.9%	0	91.9%
5) Other County Govt.	0	0	0	0	0	0	0	0
6) 25,000-50,000 (Municipalities)	1	0	106,000	0	106,000	8.1%	0	8.1%
7) 10,000-25,000 (Municipalities)	0	0	0	0	0	0	0	0
8) 5,000 -10,000 (Municipalities)	0	0	0	0	0	0	0	0
9) Under 5,000	0	0	0	0	0	0	0	0
10) School Systems outside CC	0	0	0	0	0	0	0	0
11) Special districts outside CC (5-11)	0	0	0	0	0	0	0	0
12) Total geographically outside CC (5-11)	1	0	106,000	0	106,000	8.1%	0	8.1%
13) TOTALS	3	0	1,303,310	0	1,303,310	100%	0	100%

Central City (CC) Unemployment rate 8.6
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Balance of CC County Unemployment 5.5

PORTLAND, MAINE SMSA

Portland Government	Number of Projects		Project Dollars			Project Dollars as Percent of SMSA		
	70%	30%	70%	30%	Total	70%	Total	30%
1) Central City(ies)	0	0	0	0	0	0	0	0
2) County Govt of Central City	0	0	0	0	0	0	0	0
3) Special districts within CC	0	0	0	0	0	0	0	0
4) Total CC Involvement (1-3)	0	0	0	0	0	0	0	0
5) Other County Govt.	0	0	0	0	0	0	0	0
6) 25,000-50,000 (Municipalities)	0	0	0	0	0	0	0	0
7) 10,000-25,000 (Municipalities)	0	0	0	0	0	0	0	0
8) 5,000-10,000 (Municipalities)	1	2	$1,000,335	$1,856,158	$2,856,493	100%	100%	100%
9) Under 5,000	0	0	0	0	0	0	0	0
10) School Systems outside CC	0	0	0	0	0	0	0	0
11) Special districts outside CC (5-11)	0	0	0	0	0	0	0	0
12) Total geographically outside CC (5-11)	1	2	1,000,335	1,856,158	2,856,493	100%	100%	100%
13) TOTALS	1	2	1,000,335	1,856,158	2,856,493	100%	100%	100%

Central City (CC) Unemployment rate 9.96

Balance of CC County Unemployment 8.29

San Jose, CALIFORNIA SMSA

Government	Number of Projects 70%	Number of Projects 30%	Project Dollars 70%	Project Dollars 30%	Project Dollars Total	Project Dollars as Percent of SMSA 70%	Project Dollars as Percent of SMSA Total	Project Dollars as Percent of SMSA 30%
1) San Jose Central City(ies)	0	0	$ 0	$ 0	$ 0	0	0	0
2) Santa Clara County Govt of Central City	0	0	0	0	0	0	0	0
3) Special districts within CC	0	0	0	0	0	0	0	0
4) Total CC involvement (1-3)	0	0	0	0	0	0	0	0
5) Other County Govt.	0	0	0	0	0	0	0	0
6) 25,000-50,000 (Municipalities)	0	2	0	878,030	878,030	0	100%	88.6%
7) 10,000-25,000 (Municipalities)	1	0	$ 113,285	0	113,285	100%	100%	11.4%
8) 5,000 -10,000 (Municipalities)	0	0	0	0	0	0	0	0
9) Under 5,000	0	0	0	0	0	0	0	0
10) School Systems outside CC	0	0	0	0	0	0	0	0
11) Special districts outside CC (5-11)	0	0	0	0	0	0	0	0
12) Total geographically outside CC (5-11)	1	2	113,285	878,030	991,315	100%	100%	100%
13) TOTALS	1	2	$ 113,285	$878,030	$ 991,315	100%	100%	100%

Central City (CC) Unemployment rate 8.7

Balance of CC County Unemployment 8.7

SEATTLE - EVERETT, WASHINGTON SMSA

Government	Number of Projects 70%	Number of Projects 30%	Project Dollars 70%	Project Dollars 30%	Project Dollars Total	Project Dollars as Percent of SMSA 70%	Project Dollars as Percent of SMSA Total	Project Dollars as Percent of SMSA 30%
1) **Seattle-Everett** Central City(ies)	0	0	0	0	0	0	0	0
2) **King - Snohonish** County Govt of Central City	1	0	$ 2,570,200	0	$ 2,570,200	17.9%	0	17.9%
3) Special districts within CC	1	0	266,702	0	266,702	1.8%	0	1.8%
4) Total CC Involvement (1-3)	2	0	2,836,902	0	2,836,902	19.7%	0	19.7%
5) Other County Govt.	0	0	0	0	0	0	0	0
6) 25,000-50,000 (Municipalities)	0	0	0	0	0	0	0	0
7) 10,000-25,000 (Municipalities)	1	0	3,850,000	0	3,850,000	26.6%	0	26.6%
8) 5,000 -10,000 (Municipalities)	0	0	0	0	0	0	0	0
9) Under 5,000	2	0	1,334,386	0	1,334,386	9.3%	0	9.3%
10) School Systems outside CC	0	0	0	0	0	0	0	0
11) Special districts outside CC (5-11)	6	0	6,367,245	0	6,367,245	44.2%	0	44.2%
12) Total geographically outside CC (5-11)	9	0	11,551,631	0	11,551,631	80.3%	0	80.3%
13) TOTALS	11	0	$14,388,533	0	$14,388,533	100%	0	100%

Central City (CC) Unemployment rate 8.93

Balance of CC County Unemployment 7.0

Syracuse, New York SMSA

Government	Number of Projects		Project Dollars			Project Dollars as Percent of SMSA		
	70%	30%	70%	30%	Total	70%	Total	30%
1) Central City(ies)	0	0	0	$ 0	$ 0	0	0	0
2) County Govt of Central City	0	0	0	0	0	0	0	0
3) Special districts within CC	0	0	0	0	0	0	0	0
4) Total CC involvement (1-3)	0	0	0	0	0	0	0	0
5) Other County Govt.	0	0	0	0	0	0	0	0
6) 25,000-50,000 (Municipalities)	0	0	0	0	0	0	0	0
7) 10,000-25,000 (Municipalities)	0	0	0	0	0	0	0	0
8) 5,000 -10,000 (Municipalities)	0	0	0	0	0	0	0	0
9) Under 5,000	0	5	0	2,065,000	2,065,000	0	47%	47%
10) School Systems outside CC	0	4	0	2,288,000	2,288,000	0	53%	53%
11) Special districts outside CC (5-11)	0	0	0	0	0	0	0	0
12) Total geographically outside CC (5-11)	0	9	0	4,353,000	4,353,000	0	100%	100%
13) TOTALS	0	9	0	$4,353,000	$4,353,000	0	100%	100%

Central City (CC) Unemployment rate 8.46

Balance of CC County Unemployment 7.57

WORCESTER, MASS. SMSA

Worcester Government	Number of Projects		Project Dollars			Project Dollars as Percent of SMSA		
	70%	30%	70%	30%	Total	70%	Total	30%
1) Worcester Central City(ies)	0	0	0	0	0	0	0	0
2) County Govt of Central City	0	0	0	0	0	0	0	0
3) Special districts within CC	0	0	0	0	0	0	0	0
4) Total CC involvement (1-3)	0	0	0	0	0	0	0	0
5) Other County Govt.	0	0	0	0	0	0	0	0
6) 25,000-50,000 (Municipalities)	0	0	0	0	0	0	0	0
7) 10,000-25,000 (Municipalities)	0	0	0	0	0	0	0	0
8) 5,000-10,000 (Municipalities)	1	1	$1,720,000	$ 547,000	$2,267,000	51.2	64.2	53.8
9) Under 5,000	1	1	1,637,000	305,460	1,942,460	48.8	36.8	46.1
10) School Systems outside CC	0	0	0	0	0	0	0	0
11) Special districts outside CC (5-11)	0	0	0	0	0	0	0	0
12) Total geographically outside CC (5-11)	2	2	3,357,000	852,460	4,209,460	100%	100%	100%
13) TOTALS	2	2	$3,357,000	$ 852,460	$4,209,460	100%	100%	100%

APPENDIX C

Descriptions of LPW Funding
Patterns in Selected States
and Cities

National League of Cities

SELECTED EXPLANATION OF LPW FUNDING

(States and Cities)

Pennsylvania

Pennsylvania is another primary example of how the LPW law and EDA administrative policies combined to produce inequities among various substate areas and between jursidictions of different sizes.

Only four cities in Pennsylvania with population over 30,000 (Philadelphia, Reading, Chester and Easton) received LPW funding. They received a total of $16.9 million ($12.9 million of which went to Philadelphia) out of the $83.9 million allocated to the state, approximately 20 percent of the total funding.

Funding received by the suburban areas of the Northeast, Northwest, and North Central portions of the state from the 70 percent pot far exceeds their proportion of population and unemployment. These areas, containing about 11 percent of the state's unemployed and less than 8 percent of its population, received 58 percent of the $58.5 million in 70 percent (high unemployment) category LPW funding. Southwest Pennsylvania, with 20 percent of the state's population and 18 percent of its unemployed received one percent ($761,000) of these funds.

Pennsylvania cities over 30,000 in population received only 29 percent of the funds set aside for high unemployment areas and none of the funds available to areas with unemployment below the national average.

(See TABLE on following page)

Oregon

The City of Portland, with 19,278 persons unemployed (19.5 percent of the state total) and an unemployment rate of 9.49 percent, received a grant of $325,529, or 1.1 percent of the state's LPW allocation. Multihomah County, where Portland is located, also received no funds, although it has a total of 26,989 unemployed, or 27.4 percent of the state total. The only grants awarded within Multihomah County were a $703,500 award to a very small community and a $222,000 grant to the State Department of Fish and Wildlife.

For the state in general: Counties containing 21.8 percent of the state's unemployed received 54.8 percent of the state's LPW allocation. Those counties with 51.2 percent of the state's unemployed received 25.4 percent of the state's allocation. The county receiving the greatest proportion of the state's LPW allocation (19.8 percent) contained 11.6 percent of the state's unemployed persons.

PENNSYLVANIA

TABLE

COMPARISON OF HIGH UNEMPLOYMENT (70%) PUBLIC WORKS FUNDS DISTRIBUTION WITH UNEMPLOYMENT DISTRIBUTIONS IN PENNSYLVANIA BY REGION*

REGION*	June, 1976 Number of Unemployed[2]	June, 1976 Unemployment Rate[2]	June, 1976 % of State's Unemployed	% of Region's 70% Funds Going to Cities[3]	% of State's 70% Funds
ALLEN-BETH-EASTON	23,900	8.0%	5.9%	94.2%	0.9%
ALTOONA	4,300	7.7%	1.0%	--	0.0%
ERIE	12,200	9.9%	3.0%	0.0%	17.0%
HARRISBURG	11,500	5.4%	2.8%	--	0.0%
JOHNSTOWN	7,900	7.4%	1.9%	--	0.0%
LANCASTER	9,000	5.5%	2.2%	--	0.0%
NORTHEAST PA.[1]	27,100	9.8%	6.7%	0.0%	32.7%
PHILA-SOUTHEAST	171,100	8.4%	42.2%	66.3%	34.1%
PGH-SOUTHWEST	74,100	7.5%	18.3%	0.0%	1.3%
READING	9,400	6.4%	2.3%	100.0%	5.6%
WILLIAMSPORT	4,600	9.2%	1.1%	0.0%	8.3%
YORK	10,700	6.9%	2.6%	--	0.0%
STATE	405,500	7.9%		29.0%	99.9%

* Regions are approximate regarding LPW distribution, however, population and unemployment estimates are based upon actual SMSA data.

1- Includes Scranton, Wilkes-Barre and Hazelton areas

2- U.S. Department of Labor, Bureau of Labor Statistics. June rates selected because this was generally the last month used to calculate official LPW averages.

3- Population in central cities of 30,000 or more

Alaska

The Alaska LPW grant selections show the clearest example of the way EDA's weighting of unemployment rates and numbers of unemployed persons hurt populous areas. The largest city in the state, Anchorage, with 6,926 unemployed and an unemployment rate of 8.33 percent, received one grant out of the 70 percent pot for $500,000. A school district in Anchorage was funded at $598,615. The entire remaining portion of Alaska's 70 percent pot--$8,725,788--was used to fund 13 separate jurisdictions whose combined number of unemployed persons was 1,857. Eight of these thirteen winning jurisdictions had fewer than 100 unemployed persons within their boundaries. The Village of Port Graham, with 11 people unemployed, received an LPW grant of $882,997.

State of Alaska

SUCCESSFUL APPLICANTS
TITLE I LOCAL PUBLIC WORKS EMPLOYMENT ACT OF 1976

APPLICANT	%UNEMPLOYED	NUMBERS OF UNEMPLOYED	LPW FUNDS 70%
MUNICIPALITY OF ANCHORAGE	8.33	6926	$ 598,615 (School Dis
MUNICIPALITY OF ANCHORAGE	8.33	6926	500,000
METLAKATLA INDIAN COMMUN.	22.70	68	417,687
CITY OF KETCHIKAN	20.10	858	111,857
CITY OF ANGOON	30.60	52	415,743
CITY OF HAINES	16.00	30	750,000
HYDABURG CITY SCHOOL DIST.	43.00	28	1,322,000
CITY OF NOME	18.60	147	447,400
CITY OF NOORVIK	24.90	32	955,183
CITY OF SKAGWAY	32.80	121	953,124
NORTH SLOPE BOROUGH	10.60	215	601,800
KWETHLUK VILLAGE COUNCIL	4.80	18	931,122
VILLAGE OF PORT GRAHAM	18.50	11	882,997
CITY OF PALMER	34.10	217	216,275
CITY OF KAKE	27.40	60	720,600

APPLICANT	%UNEMPLOYED	NUMBERS OF UNEMPLOYED	LPW FUNDS 30%
CITY BOROUGH OF JUNEAU	8.50	868	179,000
CITY BOROUGH OF JUNEAU	8.50	868	216,000

Pontiac, Michigan

With an unemployment posture for several years in a range between 21 percent and 34 percent, Pontiac (gratefully) received an LPW grant for $1,656,450. However, Pontiac and its neighboring Waterford Township with a combined population of 150,000 persons received just this one grant, while four outlying townships with an aggregate population of about 80,000 received $5.5 million. The City of Warren, a wealthy suburban community east of Pontiac, received the maximum $5 million. The financial decline of Pontiac has a direct correlation to the flight to the more wealthy suburban areas--the exact areas around Pontiac that received the greatest share of LPW funds.

Ogden, Utah

In applying for LPW funds, the City of Ogden used its central city unemployment data after receiving advice to that effect from the EDA Rocky Mountain Regional Office. The city's grant requests were all denied even though three surrounding jurisdictions--by including Ogden's unemployment data--all received funds (Weber County School District, $1,946,034; Pleasant View City, $403,100; and North Ogden City, $214,952).

The following data for Ogden and North Ogden shows that a slightly higher per capita income and the use of a smaller (more rational) project area defeated Ogden in the scoring process. A simple redrawing of Ogden's project area--or conversely, a limitation on a jurisdiction's ability to claim surrounding areas--would have given Ogden its proper edge over suburban jurisdictions.

	Ogden	North Ogden
Per Capita Income	$3,749	$3,670
Labor Intensity	30 points	30 points
Unemployment Rate	8.68%	7.70%
# of Unemployed Persons	3,130	5,023
Population	66,338	6,613

Toledo, Ohio

Competing in the 30 percent pot, Lucas County, the sixth largest county in Ohio, and the City of Toledo, the fourth largest city in Ohio, received no LPW funds at all. In the City of Toledo alone, about 15,000 persons are unemployed.

In contrast, out of the 30 percent pot--where unemployment does not exceed the national average--the Village of Scio in East Central Ohio, with a population of 1,002 persons, received a grant of $2,479,150. The entire county in which Scio is sited has only 17,700 persons and ranks 84th out of 88 counties in Ohio according to population. Other villages funded--for a total of $5,609,381--include Peketon, West Union, and Middleton, all with populations under 2,000 persons.

Senator Gravel. Senator Kennedy has a statement that we will insert at this point in the record.

[The statement referred to follows:]

STATEMENT OF SENATOR EDWARD M. KENNEDY
BEFORE THE SENATE COMMITTEE ON PUBLIC WORKS
FEBRUARY 4, 1977

Mr. Chairman, I want to thank the Committee for giving me the opportunity to testify here on the urgent need to extend and expand the Public Works Employment Act. I am extremely pleased that the members of the Public Works Committee have moved so quickly on this vital legislation. I wholeheartedly support your efforts, and will assist in any way I can to assure early enactment of the bill.

All of us are painfully aware of the current condition of our Nation's economy. We know of the millions of Americans who need jobs. We know of the continued plight of our cities. We know of the depressed construction industry. In short, we know all the facts and figures which justify the continuation of the public works program.

Last week, President Carter announced a $31.2 billion economic stimulus package. One of the most significant features of that package, and of the Public Works bill we are discussing today, is that it is flexible enough to adjust to changing economic needs. The greatest need is to create jobs, and I am still of the opinion that a higher level of economic stimulus is needed in the area of direct job creation.

That is the purpose of this bill. It provides an additional $2 billion this year for public works employment, and another $2 billion next year. These funds can be productively used, and used quickly. Of the nearly 25,000 applications received by the Economic Development Administration, only about 2,000 were selected in the first round. The overwhelming response to the program demonstrated the critical need for additional funds.

Nearly $25 billion in project applications competed for $2 billion available. In Massachusetts, only one in every fourteen applications was selected. Cities like Lawrence, New Bedford and Springfield, with unemployment rates among the highest in the state, received no funds at all. These cities, and many others throughout Massachusetts, have excellent projects ready to go. All they need is a green light from Congress.

In addition to providing new authorizations for this program, we need to carefully examine amendments designed to improve the administration of the program. As long as funds are limited, there will be disappointment. We can, however, make some significant changes that will assure a more equitable distribution of funds.

First, the Committee should re-examine the requirement that 70% of the funds go to areas with unemployment above the national average, and 30% to areas below the national average but above 6.5%. The obvious intent of the 70-30 split was to prevent the concentration of funds in a few areas, but the requirement caused serious inequities in the distribution of funds. John Eden, Assistant Secretary of Commerce for Economic Development, has outlined many of the problems encountered with this provision. The Committee should consider a significant reduction in the level of funding to areas with unemployment below the national average.

Second, there were serious problems encountered with the figures used to determine unemployment. Using the previous twelve months, rather than the most recent three consecutive months, would help to equalize employment data and insure uniform statistics. The formula should also recognize that many individuals who have exhausted their benefits are no longer counted as unemployed. Special efforts should be made to take account of labor force dropouts who want to work, but have despaired of finding jobs.

Third, methods should be devised to better take into account the long-term benefits of a project. This will require being more sensitive to special needs in communities. It will also involve giving particular attention to the long-term employment benefits of a project. Building a vocational education school, for example, has greater long-term employment benefits than a temporary road repair project. Along these lines, I was particularly pleased that S. 427 specifically designates private non-profit health care and rehabilitation facilities as eligible for funding.

Fourth, the Committee should consider the use of substate allocations to prevent the undo concentration of funds. The western half of Massachusetts, for example, failed to receive any grants in the first round of funding. Some form of substate allocation could help to alleviate this imbalance.

Every attempt should be made to insure that reasonable project areas are identified in any application. This is a complicated problem, and there will be no simple solutions. All of us know about the inequities caused by the gerrymandering of project areas. Some suburbs, using unrealistic labor markets, were able to usurp the funding of critical projects in central cities. The administration of the program should account for these inequities, and require that the definition of project areas is accurate and fair.

Finally, I agree with the provision in the new legislation that specifies that those applications already received by the Economic Development Administration will be eligible for additional funds. There obviously should be special provisions made for applications lost or returned to applicants with insufficient time for revision. These projects should also be permitted to compete for funding.

With regard to Title II of the bill, the Youth Community Improvement Program, there is no question of the need for a major youth employment program to provide opportunities to unemployed youth in our communities. They represent the highest levels of joblessness. I co-sponsored S. 20 with Senator Cranston which would establish new training and employment opportunities for our young people. The Youth Initiatives Act of 1977 provides programs with a goal of creating nearly 300,000 jobs for youth each year. The Senate Labor and Public Welfare Committee will be examining this legislation and the overall youth employment problem. I am sure that they will be working closely with this Committee in a joint effort to find solutions.

Again, let me pledge my support for the Public Works Employment Act of 1977. We ended 1976 with nearly seven and one-half million Americans without jobs. Early enactment of this legislation will mean that far fewer Americans will be looking for jobs by the end of 1977.

Senator GRAVEL. Our next witness is Mr. Charles Au. I am persuaded on the wisdom you are going to give us by the fact it is a short statement. That is really great. Please proceed, Mr. Au.

STATEMENT OF CHARLES AU, ASSOCIATED GENERAL CONTRACTORS OF AMERICA, MANSFIELD, OHIO; PRESIDENT OF ROGER J. AU & UTIVE DIRECTOR, ASSOCIATED GENERAL CONTRACTORS OF SON, ACCOMPANIED BY RICHARD CREIGHTON, ASSISTANT EXEC- AMERICA

Mr. AU. Mr. Chairman, I am Charles H. Au, president of Roger J. Au & Son, a contracting firm from Mansfield, Ohio, who primarily builds heavy-sewer projects, subways, dams, and marine projects. I am here today on behalf of the Associated General Contractors of America as vice chairman of the Municipal Utilities Division. Richard Creighton, assistant executive director, is with me. We thank you for the opportunity to address this very important committee on a subject of much interest to our industry.

AGC represents approximately 8,500 general contractors engaged in all aspects of general construction. Our member firms perform about 80 percent of the annual construction volume in the United States. The construction industry employs approximately 5 million workers, approximately 3.5 million of whom are employed directly on construction jobsites. As such, we have a broad appreciation of, and an interest in, legislation which affects public works projects.

We wholeheartedly support S. 427. In our view an expansion of the public works program will most certainly stimulate the economy and provide jobs.

The need is there, and the people are there. The need is more than adequately represented by the fact that more than 25,000 proposals for public works projects amounting to more than $24 billion, were submitted to the Economic Development Administration for approval under title I of the Local Public Works Capital Development and Investment Act of 1976. The need for jobs in the construction industry is documented by current statistics from the Department of Labor which reveal that some 634,000 construction workers are unemployed—more people out of work than in any other single industry in our Nation.

Our knowledge lies in the area of the capital intensive and job intensive nature of public work construction. As a result, we will not attempt to advise this body as to the allocation formula or title II provisions of S. 427. We are sure that witnesses here today will more adequately address these areas than could we. We are pleased to note, however, that the main focus of the legislation is on public works where more goods and services from the private sector will be used than in any other program for economic stimulus.

Senator Humphrey has estimated that for each $1 billion spent on public works projects in this legislation, 75,000 jobs directly on the construction projects and an additional 75,000 in off-site jobs providing support and materials will result. We are aware of no other form of stimulus, including public service employment, which provides this kind of ripple effect.

Lest our industry be accused of too much self-interest in support of this bill, or that the bill be viewed as exclusively a direct construction jobs bill, we would like to point out a few facts. The construction industry is a key indicator of and contributor to, our economy's well-being. An economic recovery is most often foreshadowed by an upturn in construction activity. This relationship between the construction industry and business cycles is evidenced by the fact that our industry is this Nation's largest industry and is also the major supporter of a number of primary feeder industries.

U.S. Department of Commerce statistics show that the construction industry is the principal user of lumber and wood products, stone and clay products, paint products, heating, plumbing, and structural metal products, primary nonferrous metals, fabricated metal products, and electrical industrial equipment. In addition, our industry ranks as one of the top three users of iron and steel, rubber and miscellaneous plastics, and glass products. As you can see, the construction industry supports a number of major industries, and their employees. As goes the construction industry, so goes the economy and jobs.

For these reasons, we commend and wholeheartedly support your emphasis on public works to stimulate capital development and investment and to provide jobs. We believe there to be no better investment that can be made in our Nation's economy. Public works projects will not only provide economic stimulus and put the unemployed back to work, but they will allow much-needed facilities such as libraries, schools, police and fire stations, water and sewerlines, streets and sidewalks, and recreation and civic centers to become a reality—capital investments that many States and localities have had to defer because of revenue and financing difficulties.

We have two recommendations to make relevant to S. 427 as it amends the Local Public Works Capital Development and Investment Act of 1976. First, although we do not pretend to be competent in the area of judging or evaluating the amount of stimulus necessary or warranted by current economic conditions, it does appear to us, based on unemployment statistics in the construction industry and the quantity and dollar amount of public works applications submitted to EDA during the past 3 months, that the economy could support a larger program.

In water and wastewater facilities alone, EDA was able to fund only 176 projects of the 1,130 certified by the Environmental Protection Agency as eligible for title I grants. This leaves almost 1,000 projects, withdrawn from the EPA construction grants program, now in limbo because of insufficient funds in title I. These are projects ready to go to construction and provide thousands of jobs.

Second, we are concerned that some grants under title I could be used by local governments for force account construction. In the rush to get local projects started, municipalities may find it convenient to use city employees and publicly owned or rented equipment to perform construction work. This, as we all know, is an inefficient method of construction. The free enterprise system, as embodied in the contract method of construction, offers the greatest benefit to the public at the least cost. Force account construction eliminates private industry competition, results in less efficient work, generates no profit and creates no tax revenue.

Although the intent of the act is clearly to promote local capital formation and investment, the legislation contains no clear prohibition against the force account method of construction. We respectfully recommend that it do so. To accomplish this, we suggest the inclusion of language similar to that in the United States Code title 23, Highways.

We would be remiss, we believe, if we did not point out that many of this committee's currently existing public works programs, in addition to the program under consideration here today, could do much to alleviate the plight of the construction industry and stimulate the economy if only those programs were carried out in the manner in which we believe Congress and this committee intended them to be. For example, our Nation's highways are deteriorating rapidly as the rate of highway investment has fallen behind the population growth.

Realizing this, and the job-intensive nature of highway construction, the U.S. Department of Transportation requested approximately $7.5 billion for Federal aid highway and highway safety construction programs for fiscal year 1978—an amount almost equal to the congressionally imposed budget ceiling on new contract authority for these programs allowed in fiscal year 1977. State and local governments can use the full amount requested by DOT, as evidenced by the already high rate of State obligation of funds which were just apportioned on October 1, 1976.

Despite this need, despite the job-intensive nature of highway construction, and despite the fact that the funds to support these needed highway improvements are already available or assured through user taxes, the Office of Management and Budget has cut the DOT budget request by $1 billion—to only $6.5 billion. Thousands of jobs and needed highway improvements will be lost if this budget request becomes a reality.

Another prime example of a public works program which is ready to go and would stimulate the economy and provide meaningful employment is the EPA construction grants program. Yet it is moving very slowly. In 1972, 5 years ago, Congress authorized, and expected to be obligated by September 30, 1977, $18 billion for the construction programs. Currently and only 8 short months away from that September date, only $12 billion has been obligated—only $4.3 billion has been actually spent. $13 billion in needed public works investments and productive jobs are being delayed due primarily to regulatory redtape and administrative hangups.

The current step 1 and step 2 projects that are funded will require approximately $10 billion at the step 3 stage. However, there is only $6 billion to fund these. Where will the balance of the $4 billion come from?

We realize that this hearing is not the time to go into the problems experienced in the EPA construction grants program, so we will not belabor the point. Our views on the EPA construction grants program were presented to the Subcommittee on Environmental Pollution on Monday of this week.

Suffice it to say at this point that the EPA construction grants program, if implemented and administered properly, could greatly assist in putting the unemployed back to work in the severely depressed construction industry and related industries.

Thank you, Mr. Chairman.

Senator GRAVEL. Thank you very much. I have no questions. We appreciate your statement. I am trying to compress the hearing as much as possible and get everybody heard before I have to go for another meeting. I do appreciate your coming forward.

Our next witness is the Lieutenant Governor of the State of Indiana, the Honorable Robert Orr.

Governor, I see you have a very lengthy statement. I know you have just been put through the wringer on the House side. We are considered more gentlemanly over here. You could accommodate us on the time frame if you place the statement in the record in its totality and if you just summarize your testimony as much as possible.

STATEMENT OF HON. ROBERT ORR, LIEUTENANT GOVERNOR OF THE STATE OF INDIANA

Lieutenant Governor ORR. Mr. Chairman, that I will be happy to do and will attempt to not even use any of the prepared testimony.

[The prepared statement appears at p. 370.]

Lieutenant Governor ORR. I am prompted, however, to make an observation having just overhead the previous testimony. The (EPA) construction grants program did come up in the questioning in the House subcommittee. Perhaps it might be pertinent for me to mention that one of the problems that prevail in the slowness of movement of that program is that the Environmental Protection Agency's priority system which implements the flow of funds does not in any way take into account the economic factors. The creation of jobs in terms of the construction of the facilities, but more importantly, the potential for substantial employment in the private sector in many communities in the State of Indiana might be of interest, too.

For example, there are approximately 60 communities in our State that are on a sewer ban because the construction grant program has not proceeded rapidly enough and there is very limited work that we can do in Indiana—I serve on the State sewer board—to advance those projects because of the priority system that EPA has in place. Some of the communities that are on the sewer ban do not stand high enough on the priority list to obtain the construction grant funds on a timely basis. So the potential for employment of people in the housing business—many of these are in communities that have the most economic growth and for that matter attracting new industry—is restrained.

It is important, it seems to me, therefore, to add to the previous testimony to indicate if there were some mechanism built into the priority system for the construction grant program of the creation of jobs at the local level, on a long-term basis. There would be some merit in the committee's having a look at that simply because it is a frustration that prevails.

The two are meeting in Indiana and I guess in a lot of other places head on. We are not advancing either long-term objectives in long-term jobs housing or whatever it may be, nor are we getting the construction program as fast as we would like it.

My testimony would perhaps best be confined to three or four things which in my opinion are important. One is that there is no mechanism.

there was none in the Local Public Works Act of 1976, for any input on the part of the local officials or State officials as to the relationship of the grant request with other ongoing programs which might, if that one grant is acted upon, put together the final piece in a program that has been ongoing in a community. Or, for that matter, assist various activities at the State level, which would complete the project and therefore make possible employment through the private sector on a long-term basis.

I cited this one example relating to the water impoundment in southern Indiana, Lake Potoka, where the State and Federal Government has spent over $60 million in putting the lake in place. It will be filled with water in a little over a year. But the need for $3 million to put in place a waterline and a withdrawal system out of the lake will mean that the full potentials for employment, long-term wise, will be dragged out and not materialize in an area where there is chronic unemployment, as we would like to see. After the lake fills with water, it will cost several million more to construct the water and sewer system than it now would.

We attempted in the State government to draw the attention of the Economic Development Administration to this, but they were powerless to be able to relate our input into the mechanism and cause any favorable action to be taken on this particular project.

I cited it only because it is an example and an easy one to understand. Excuse me, I should have added that the State completed Interstate 64 just south of the project, this project cost $241 million. So there is a total of about $300 million of State and Federal money which could greatly encourage economic growth and the creation of jobs, which is not going to materialize as fast as it could have, had there been a means by which that one project through the LPW could have been funded. There are numbers of others of a similar nature, maybe not of that magnitude.

The importance, therefore, of having input from local, regional and State officials, in our opinion, is extremely important. Second, the Economic Development Act allows the mechanism to prevail to get counties designated as EDA counties. This requires a considerable degree of local initiative in the creation of an overall economic development program which we have been working on very hard indeed in Indiana under a 302 section, 302 grant. We now have 45 of the counties designated and some 26 more in process.

It is significant, we think, that of the 27 grants in the State of Indiana, only 9 were in EDA-designated counties or were EDA-designated projects in a regular overall economic development program.

We think there needs to be some kind of bonus or some kind of recognition that there has been that local initiative in any kind of enactment of law of this nature. If communities that have gone through the laborious local initiative activity in response to high unemployment and a desire to be designated by EDA see another neighboring county that has never bothered with all of this to get a grant, it tends to discourage the desirable approach under the regular EDA conventional programs of doing these things which will cause them to benefit from those what we believe to be very good programs.

Those two characteristics are ones which identify what we believe to be a weakness in the program because it simply didn't provide the kind of an incentive which would, on the one hand, yield more effective results, and on the other hand limit the number of wish list requests which were made nationally—certainly in Indiana with 312 grant requests and 27 grants approved. Our objective is to try to make the reenactment of this a more effective program, more effective in terms of providing employment at the current level, but coupling that with a much more desirable long-term objective of providing for continuing economic growth, so that there can be continuing improvement in employment conditions.

That in summary is what is in here. There are a number of other things, but I would be happy to answer any questions you might have.

Senator GRAVEL. I have none. I am very grateful. I think you have been very complete. Your statement will be in the record. We will have a chance to go over it before we go to markup. I appreciate your coming forward and sharing with us your experience.

Lieutenant Governor ORR. Thank you very much.

[Lieutenant Governor Orr's prepared statement follows:]

WRITTEN TESTIMONY OF
ROBERT D. ORR
LIEUTENANT GOVERNOR
STATE OF INDIANA

SENATE PUBLIC WORKS COMMITTEE

FEBRUARY 4, 1977

Indiana has serious concerns as to why Congress is not using existing tools to deal with employment and insists upon creating new programs. There is an existing tool for Public Works Projects that has proved quite workable. Title I of the Public Works Employment Act of 1965, as amended, allows for Public Works Impact Projects (P.W.I.P.) for the primary benefit of the unemployed, to improve opportunities in the area and to fulfill a pressing need of the area. However, if the program is to continue, we wish to make it as workable as possible and wish to make specific comments on the act, regulations and implementation of the Local Public Works Capital Development and Investment Program. Certain modifications of language are in order so the program will be more meaningful.

The Economic Development Administration (E.D.A.) is being unjustly criticized for its role in the program. It is the legislation that has caused problems, making the program impossible for any single agency to administer. Our experience with E.D.A. has shown that it is a competent and efficient agency. The E.D.A. programs encourage local initiative and have been successful in providing a base for additional employment opportunities in the private sector for communities in Indiana that have worked with the regular E.D.A. programs.

As an example, Terre Haute is in Indiana's first Economic Development District. Two major projects have been undertaken; making Fruitridge Avenue into a four-lane road and overpass for $1,379,000 of E.D.A. funds and secondly, $1,225,000 of E.D.A. funds were used for an access road to the Fort Harrison Industrial Park. These two projects have provided much improved access to industrial parks, allowing expansion in the park as well as expansion of industrial and commercial facilities and new financial institutions locating along the corridors making access easier to an industrial park, encourages industries to locate there. These roads also provide access to a school serving 2,000 students and health service facilities. Several thousand people have been affected as a result of these projects by encouraging the creation of permanent jobs in the private sector.

The E.D.A. Program tied to the Public Works and Economic Development Act of 1965, as amended, is consistent with the State's goals and objectives. It encourages local initiative and fosters development in the private sector.

Our working relationship with the Federal Economic Development Administration at the state, regional and federal levels, has been good. The presentation has been discussed with Indiana's Economic Development Representative whose comments and suggestions have been included.

Public Works Programs in general provide for two basic types of employment: (1) immediate job provision and (2) long term employment opportunities. The immediate job provision guarantees no long range employment benefits to the community, by making no attempt to include the private sector in the upgrading of employment opportunities for the residents of the area. Additional jobs will not necessarily be created beyond those directly created by the project funds. The long range employment provisions are geared toward assisting communities in preparing for jobs in the private sector that benefit the area's residents and have a lasting impact on the area's employment situation. A new industry or an expanded one adds greatly to the area's tax base by expanding the community's ability to raise taxes. A desirable Public Works Project would be one that encourages the creation or expansion of permanent jobs in the private sector.

A program for capital improvements should provide benefits to the community by encouraging additional long term jobs in the private sector. Capital improvements to be meaningful should be planned for in advance and be agreed upon as being important to the community by both citizens and local elected officials. These projects should be meaningful and in line with the goals and objectives of the community and be based on objective information from the area including available human, capital and natural resources.

E.D.A. requires from each county an Overall Economic Development Program (O.E.D.P.) completed by citizens and local elected officials stating the county's strengths and weaknesses as well as the county's objectives regarding economic development before a public works project is funded in the area. This assures that the programs are tied to the O.E.D.P. and are of maximum benefit to residents of the area. Many counties in Indiana have spent months analyzing their communities to determine how to best provide for their economic development. The L.P.W. Act is discouraging to communities because it makes this well directed effort meaningless.

Analysis of Selected Sections of Title I of the Public Works Employment Act of 1976:

Following is a critique of specific sections of Title I of the Public Works Employment Act of 1976. These sections as well as the regulations originally printed in the August 23, 1976 Federal Register are critiqued and specific recommendations on each are made.

SECTION 103 (b): The federal share of any project for which a grant is made shall be 100 percent of the cost of the project.

> 100 percent funding is not always the best route for public works projects. An 80 percent federal share, 20 percent local share is suggested. A 20 percent local match requires a much more substantial commitment on the part of the applicant and will decrease the amount of "wish" lists submitted. As with P.W.I.P. projects under Title I of the Public Works Employment Act of 1965, as amended, the local share could be waived if the Secretary of Commerce determines that the applicant has exhausted its effective taxing and borrowing capacity. Having a 20 percent local match will also provide for a much greater leveraging of the funds, allowing the funds to go 20 percent further. Thus 20 percent more projects could be funded, and presumably, 20 percent more unemployed people provided jobs.

SECTION 108 (c): Priority shall be given to applications if the unemployment rate has been equal to or greater than 6.5 percent for the three most recent consecutive months. 70 percent of the funding is for areas with an unemployment rate greater than the national unemployment rate and 30 percent of the funding is for areas with an unemployment rate of 6.5 percent or greater but less than the national average.

Note that no mention is made as to whether an area with an unemployment rate which is the same as the national average falls in the 70 percent or 30 percent category.

The three month unemployment rate period does not take seasonal unemployment into consideration. Also, Section 107 states that the unemployment rate is to be only one of the criteria used for evaluating projects. Some unemployment is seasonal. A longer term base period would eliminate aberration which allowed some grants to be approved whereas neighboring communities with long term chronic unemployment were not on the list of approvals.

Unemployment rates are not consistent among the states as methods of sampling and compiling data are not comparable. Also, the Current Population Survey (C.P.S.) adjusted employment estimates have shown that rather large corrections in unemployment rates may be neccessary. Estimates for small areas and even counties within Standard Metropolitan Statistical Area's (S.M.S.A.'s) are based on 1970 ratios derived from the amount of unemployment and population in a given area in 1970 which could by 1977, seven years later, have shifted significantly.

The three month figure was confusing as it was not the same three months for everyone - particularly not the same for urban areas using CETA Prime Sponsors lists and rural areas using State Employment Agency figures. Using twelve month figures for the most recent twelve months to be announced with the publishing of the regulations in the Federal Register is not a totally satisfactory alternative but one that would be the most reasonable and least cumbersome for all involved. A twelve month average will also eliminate the seasonal biases.

A more acceptable method of analyzing projects is by the establishment of a ranking system based on strictly objective criteria.

There is a commonly used method of classifying pockets of unemployment, or depressed areas: that of using the unemployment rate and nothing else. This method is misleading because it neglects the dynamic aspects of unemployment. That is how this unemployment changes over time. E.D.A., for example, uses this method of classification by setting a specific rate of unemployment as a critical one and above such a level,every entity - let it be a county, a region or a state - is eligible for designation. This method diffuses those who are the hardest hit by unemployment. Usually helped are those who are more capable of putting together an Overall Economic Development Program. The method we propose is a new ranking system which will be based not only on the unemployment but on the per capita income as well. The substance of it is that we consider two elements in each of the two variables. That is, we take the county's unemployment as the last monthly average and as it changes over time, from month to month for the last year. Then we compare both the absolute rate and the rate of change of that rate with the same figures for the whole state. We do the same comparisons for the per capita income, and we rank the counties in combination of all four indices. This ranking will establish the priority that each county will have in applying for the available federal programs.

SECTION 108 (e): Project area is defined and it does not require that the project benefit or be located in the area of high unemployment.

No assurance is made that unemployed persons would be hired or would directly benefit from a project within the project area. The project area should be redefined so that the project directly benefits those citizens in the project area from which the unemployment figures are taken. (i.e. In building a community center, unemployment rates for the community or county should be used, not unemployment rates for an adjacent county or town.

Analysis of Selected Sections of the Regulations for Title I of the Public Works Employment Act of 1976:

The speed of implementation which Congress required in this program left time for little meaningful input from State or local government. It appeared that Congress was more interested in seeing the money spent than allowing for a program that would work effectively. The regulationsand actual application of the Public Works Capital Development and Investment Act of 1976, bring up addtional questions which also must be addressed and clarified if the program is to be workable.

The Legislative Objectives of the Local Public Works Program as stated in the August 23, 1976 Federal Register are:

(a) To provide employment opportunities in areas of high unemployment.

Employment opportunities are not defined in this Act or the regulations, however, in Title I of the Public Works and Economic Development Act of 1965, as amended, employment opportunities are defined as the successful establishment or expansion of industrial or commercial plants or facilities or to otherwise assist in the creation of additional long term employment opportunities in a specified area. Indiana is in agreement with this objective and its definition. The LPW Act, however, completely avoided such an obviously important ingredient.

(b) As a counter cyclical stimulus to the national economy.

This is too general. Counter cyclical stimulus is not defined. It is therefore meaningless.

The six E.D.A. program objectives for the LPW Act listed in the August 23, 1976 Federal Register are discussed here with comments on the degree to which these where included in the application of the LPW Act.

1. To give consideration to relative needs of various sections of the country.

   State allocation of funding is the main concern here although for more equitable funding, state allocation should be based on a different method.

2. To maximize immediate employment opportunities and to maximize employment opportunities for unemployed residents of the project area.

   First, there is no requirement or ranking criterion given for hiring unemployed persons. Secondly, long term jobs created which is a standard factor in determining the feasibility of E.D.A. Public Work Projects under the regular program is not even considered in the ranking.

3. To fund locally oriented projects that provide useful public facilities.

Five percent additional consideration is given if the project relates to existing plans. This does not even begin to address the issue of whether or not the project is useful. Or whether it is believed by local program personnel to be of high priority.

Inasmuch as conventional E.D.A. projects require the project to be included in the locally established O.E.D.P., would it not make sense to give truly realistic bonus points for projects listed on an existing O.E.D.P.?

Indiana believes strongly in the value of 'local initiative' arising in creating an O.E.D.P. as being highly valuable in stimulating economic growth. Indiana has 45 counties with approved O.E.D.P.'s. An additional 26 are in process. We have 92 counties, yet only nine of the 27 projects funded in Indiana were contained in O.E.D.P.'s. Many counties in Indiana which received no grants and which have O.E.D.P.'s now ask, "Why bother to go thru that laborious process?" We believe it undersirable to undercut the O.E.D.P. process.

It's almost like Santa Claus rewarding the disobedient children and overlooking those that have behaved themselves.

4. To fund projects that advance local plans and contribute to long term development.

Under the regular E.D.A. Public Works Program, a county is required to have an O.E.D.P. which has input from both citizens and local elected officials on the goals, objectives and specific projects they would like to see accomplished in their communities. Again, the additional considerations of ten percent for long term benefits, an undefined term, and five percent for relating to existing plans are the points in the ranking that come closest to addressing these issues. But these "bonus" points are far too small to address desired objectives.

5. To fund facilities that would not represent a duplication of effort of existing funds.

The application does ask that the applicant certify that funding would not replace existing or committed funds. However, nowhere is the issue of how much uncommitted funds from the federal government are available for these projects, i.e. revenue sharing, Community Development Discretionary funds, or C.E.T.A. funds.

6. To carry out a comprehensive evaluation of the program to detemine direct and stimulus impact of the program.

This point is not again addressed in the regulations. An evaluation of this program would be desirable.

316.2: The definition of "Political subdivisons of a State" is not clearly defined. Mention is made of general purpose units of local government and special districts.

The definitions of general and special purpose units of government vary among states making it unclear who was an eligible applicant. This has caused some problems and it is suggested that each state certify what is legally by state statute a general purpose unit of government in its state.

316.8 (b): This provides for allocation of funds to states based on unemployment data. 65 percent of the funds are to be based on the share of unemployed workers residing in a State of the total national unemployed and the remaining 35 percent was to go to States based on relative severity above the national unemployment rate.

Indiana is in disagreement with the 65 percent - 35 percent allocation of funds to states. The 65-35 percent provisions from the 1976 Act state,penalizes larger states that have pockets of high unemployment yet an unemployment rate less than the national average. Only certain states are eligible for portions of funding from both the 65 percent and 35 percent category but most all states have areas of unemployment that are above the national average.

Unemployment is the major criterion in this act for determining funding but relative serverity among states with unemployment rates above the national average does not necessarily address this issue. The act is to bring relief to areas of high unemployment. The 65-35 percent formula dramatically lowers the chance of unemployed workers in some parts of the state receiving Public Works jobs.

The most equitable way of allocating funds among states would be based on a percentage of a state's number of unemployed persons to the nation's total number of unemployed persons adjusted so as to not exceed 12½ percent of the funds or be less the 0.5 percent of the funds for any one state. For example if State X had three percent of nation's unemployed persons it should receive three percent of the funds available.

316.9: This explains that employment data from the Bureau of Labor Statistics (BLS) is to be used unless it is not available in which case data from the State Employment Agency is to be used. The three months to be used is not specified. The data was to be provided from BLS by September 15, 1976.

BLS data which was to be used as published October 18, 1976 and the first day applications were accepted was October 26, 1977.

Determining which three months to use was most confusing as different areas in the same state could use different months unemployment rates. The time period should be changed to include the preceding 12 months to avoid seasonal fluctuations. The specific months to be used should be published in the Federal Register at the same time as the regulations.

316.10: This considers a base ranking with weights as follows:

Number of unemployed persons for three months -	30%
Unemployed rate for three months -	25%
Ratio of total wages to total project cost -	30%
Per Capita Income -	15%
Total	100%

With additional considerations to be given for:

Long term benefits* -	10%
General purpose unit of local government -	5%
Relates to existing plans -	5%
Total	20%

The allocations of points under this system was not clear because of the unexplained logarithmic method used causing much confusion and general lack of credibility in the ranking system as well as not addressing goals and objectives of the program. Indiana agrees with the basic goals and objectives as stated in the Regulations published in the Federal Register.

The ranking system should be published in the Federal Register so that it is common knowledge to all. Obviously this will result in some problems as applicants try to make their projects fit the criteria but this would eliminate any questions over why a project scored the way it did. Also, because the system would be known to all, it would help insure that all ranking was done objectively.

316.10 (b) (9): Certification by the applicant is required to show that no funds budgeted or otherwise specifically committed for the project applied for in the application shall be reduced, diminished, or replaced by funds requested under this part.

This section caused some concern in Indiana since State budget definitions are different from those in the federal government. However, a letter requesting clarification on this issue was sent to E.D.A., to which E.D.A. repsonded. We would like to see the Regulations revised by adding to the end of 316.10 (b) (9), "or otherwise available such as uncommitted revenue sharing funds."

Both the Act and Guidelines state 30 percent funding will go to areas with 6.5 percent or greater unemployment rate. This includes 6.5 percent. The regulations state the project area must have an unemployment rate of greater than 6.5 percent which does not include 6.5 percent. Indiana had several projects that ranked highly with unemployment rates of 6.5 percent that were denied because the unemployment rate was too low.

316.11 (d): A modified A-95 review procedures is stipulated although in actuality it is the same as the regular A-95 review procedure.

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*Note: Long term benefits are not defined in the Act or Regulations.

> Regular A-95 procedures should be followed with a selected project not receiving final approval unless the A-95 review has been completed or the State and local A-95 review agency have been given notification of project selection and allowed a given period of time, say two weeks after the application has been received.

In addition to the topics above the following items were not mentioned in the Act or Regulations and a further clarification and/or direction on these issues is needed.

No provision is made in the law for either input from the E.D.A. state representative or a priority ranking from the applicant. Input from officials who have knowledge of state and local circumstances was not in any way taken into account. Scoring by people totally remote from actual conditions and ranking by computer totally eliminates any judgement by experienced and knowledgeable state and local officials.

Applicants felt compelled to apply for 100 percent funding for any project that might possibly have even the remotest chance of being funded for fear that their constituency would look down upon them for not attempting to take advantage of the situation. This encouraged submitting of "wish" lists of applications. It costs money to fill out applications and pay consulting and engineering fees, and time to hold city and town meetings. People tend to overestimate a sure thing which was demonstrated by the large number of applications. Over 312 applications were filed and only 27 approved for a total of $22.75 million.

Thousands of frustrated people now ask why they were led to believe "their" project would be funded. They are thoroughly disillusioned with Congress. This surely raises or adds to any credability gap that exists between the federal government and local people who tend to be wary of federal programs, anyway.

Each applicant should be required to rank his own projects. This would eliminate the 19th desired project being funded instead of the first or second. Also no provision is made within the law for georgraphic distribution of projects within the State. No consideration was given to other projects which would "complete" local or state programs already under way to create long-term jobs.

Tying the Congressional District's or local A-95 review agency's share of number of unemployed persons to the state's share of unemployed persons would assure that area A with X% of the State's unemployed persons received X% of the State's allocation. A county or community would in most cases be too small to determine what an area's share should be.

FINAL RECOMMENDATIONS

The following changes are recommended in Title I of the Public Works Employment Act of 1976.

SECTION 103 (b) be changed as follows:

The federal share of any project for which a grant is made under this section shall be up to 80 percent of the project cost and the non-federal share of the aggregate cost of any such project be not less than 20 percent. The Secretary may reduce the non-federal share below such percent or waive the non-federal share, in the case of any state or political subdivision thereof which the Secretary determines has exhausted its effective taxing and borrowing capacity.

SECTION 107 (b) to be added:

State allocation shall be based on a ratio of the State's number of unemployed persons to the number of unemployed persons nationally for the most recent 12 consecutive months, the specific months to be published in the Federal Register. A state's share should be adjusted so as not to exceed 12½ percent or be less than 0.5 percent of the total funds available.

SECTION 108 (c) be changed to include:

The most recent 12 months and delete the three month time period. These specific months to be used will be published in the Federal Register as part of the regulations of this act.

SECTION 108 (e) be changed to read:

... must be a project located within the area of high unemployment to directly benefit and provide employment opportunities and long term benefits for unemployed persons who are residents of the community or neighborhood.

SECTION 108 (h) to be added:

State input shall be taken into account where the State can justify that a particular project is needed by an area and is in accordance with State and local goals and objectives as demonstrated by existing approved plans for that area.

The following changes in the Regulations are recommended so that the Regulations will be more in accordance with the intent of this program. Only points which were not discussed in recommendations for changes in the Act are discussed here.

SECTION 316.8 (b) The second paragraph be changed to read as follows:

Subject to program administrative costs and statutory minimum and maximum amounts allocated to individual states by the legislation funds will be set aside for individual states based on the share of unemployed persons residing in a state of the total national unemployed persons.

SECTION 316.9 be amended to add:

The specific 12 month period on which unemployment rate criteria will be based.

SECTION 316.10 The ranking system should be based on the following criteria.

1. Some weighting of income, unemployment rate and number of people unemployed over a period of one year or greater.
2. E.D.A. Designation which is a sign that the area has had employment problems for a period of time and that the residents and local elected officials were concerned enough to try to do something about it.
3. Is this project mentioned in an O.E.D.P. on file with E.D.A.?
4. If the area does not have an O.E.D.P., is this project mentioned in H.U.D. 701 plans, E.P.A. 208 plans, D.O.T. plans, or any other federal programs as being important to the area?
5. Does the project provide for inadequate or missing community infrastructure so as to assure considerations relating to additional permanent employment?
6. How many permanent jobs will be created in the community as a result of the project? (Long term benefit)
7. How many jobs are created by the project? (Job cost ratio) Is the community population large enough to provide the unemployed manpower to carry out the project? A high percentage of unemployment does not necessarily mean the actual number of bodies are there to do the work.
8. Is uncommitted money available from other federal agencies to address the unemployment situation in the area?
9. Applicant's priority given to project. (i.e. If the applicant submits ten projects, they should be numbered in priority from one to ten).

Testimony by Lieutenant Governor Robert D. Orr, State of Indiana
To the Senate Public Works Committee
And House of Representatives Public Works & Transportation Committee
February 4, 1977

Appearing before you is Robert D. Orr, Lieutenant Governor of Indiana. It is my purpose to convey a number of observations concerning the Local Public Works Act of 1976, as well as to offer what I hope will be regarded as constructive suggestions for your consideration in enacting legislation now before you of a comparable nature.

It is first important to identify that in Indiana, the Lieutenant Governor serves as chief executive officer of the State Department of Commerce by statute, and as chief executive officer of the State Planning Agency by appointment of the Governor. In these two roles, which relate directly to the purposes of the LPW Act, as well as in certain other functions of government where I have responsibility, Indiana's Lieutenant Governor serves as a primary direct subordinate to the Governor and is, therefore, very much a part of his Administration. I therefore speak not as an individual officeholder but as a member of the administration of Governor Otis Bowen of Indiana.

The executive functions of Indiana's Lieutenant Governor bring him directly in touch with planning and implementing job creation programs every day of every month. It has provided me with firsthand opportunity to view successful programs as well as those which do not fully accomplish objectives. Our entire effort is concentrated on encouraging and assisting in the expansion of private enterprise toward the goal of permanent, full time new jobs in the private sector.

While Indiana state government regards this approach as being preferable to job creation through public service programs, it is recognized that concepts such as the Local Public Works Act of 1976 can fulfill desired objectives in creating short term employment in recessionary periods particularly in areas of undesirably high unemployment. Inasmuch as programs of this type will continue to be implemented from time to time, it seems pertinent to encourage consideration for revision of the mechanics of such programs so as to provide for a higher degree of effectiveness.

Why not also attempt to steer public works programs in directions which can maximize influence on the creation of long term, private sector jobs? Why not dovetail such programs with existing Federal, state, and local programs which are aimed at stimulating economic growth on a conventional basis? Why not utilize elements of existing Federal statutes which would accomplish such objectives and which are already available for implementation only needing more adequate funding?

Let me cite an example of how confusing it can be to approach two different laws with the same objectives - JOBS. For the last 1 1/2 years Indiana has been working diligently to designate our counties within the EDA structure. We now have 45 counties eligible for funding under the Public Works and Economic Development Act. Many counties believed their efforts would bear fruit with the context of the LPW Act. After our receipt of funds it is interesting to note that only seven counties eligible under EDA criteria were funded under the LPW Act. This does cause local communities to wonder why they were spending so much on energy developing economic development programs.

The foremost problem with the Local Public Works Act of 1976 was the concept built into the law encouraging such a vast number of grant applicants, such swiftness in implementation, and such a total lack of local and state review that no administrative arm of government could have effectively dealt with the magnitude of the program.

Criticism abounds directed at the Economic Development Administration of the U.S. Department of Commerce, which was charged by law with administering the program. In my opinion this criticism is not justified.

Any agency which would have been required to implement the Local Public Works Act of 1976 would now be a target of abusive criticism.

We work on a day-to-day basis with the EDA with all of the various programs that are a normal part of their responsibility. We have found EDA among the most efficient and professionally qualified Federal executive branch agencies with whom we regularly deal. Most of their conventional programs make good sense in stimulating economic growth. We find the implementation of those programs well done. The monumental size of the LPW project and characteristics of the law itself should not be allowed to cause criticism of the capability of EDA.

A program similar in many respects to the LPW project was experienced in 1975. This came under Title X of the Public Works and Economic Development Act as amended. It expended $500,000,000 in two appropriations and was directed at local projects with high labor input. This program tended to invite a maximum number of grant requests, with the result that approximately one project in ten could be funded.

Diappointment and discouragement prevailed at the community level among those who were unsuccessful. Among other diadvantageous results of the Title X program was the negative reaction resulting from nonreceipt of grants which subsequently adversely affected local interest in other, on-going, conventional EDA programs.

In Indiana, it had been hoped that, if a subsequent similar effort were made to stimulate the creation of jobs, a lesson would have been learned from the problems encountered in the Title X program. Unfortunately, the ~~Local~~ Public Works Employment Act of 1976 did not benefit from the learning experience at the local and state level, or even at the Federal administrative level. Most of the same problems were again encountered, but because the funding was four-fold higher, the degree of discouragement at the local level was at least four-fold greater.

A program of this magnitude is almost certain to encounter difficulties. By holding out the potential for the receipt of a grant, or a number of grants, for each and every community in the entire country, the stage is set for an undertaking which cannot possibly spend effectively the money appropriated for the program.

Somehow Congress must find a legitimate way by which the grant requests can be reduced to the point where the absolute maximum of requests is no more than three times the number of approved grants. That ratio is bad enough in terms of potential disillusionment but far easier to deal with than the national 1 to 12 ratio of LPW. There are several means by which this could be accomplished which are suggested later in my testimony. Let me add that Indiana did do a little better - ourswas 1 to 10. In actuality, we had 27 projects out of 312 submissions. To us too much energy was expended by too many for too few.

Future legislation must contain language which restricts the potential for an unworkable number of applications. At the same time the language must certainly convey the message that overcoming chronically unacceptable unemployment levels is a primary target. The chief purpose of my testimony is to attempt to convey the message that the two points which have just been made in the two preceding sentences are by no means contradictory or mutually exclusive.

In fact it is my hope to encourage the implementation of a workable program. It must be a program that has long term employment potentials, as well as the immediate objective of providing jobs now. It must aim at causing the money appropriated for the program to become an investment for the future even while providing jobs for the unemployed, rather than simply another example of throwing a large sum of money at a current problem in the elusive hope that the problem will thereby be eliminated.

What really concerned us during the first phase at the LPW funding was that the State had no opportunity to provide any input to the program. This is somewhat ironic since we receive funding by EDA to address economic development planning and move specifically our economic needs. We could have provided our assessment of how we believed a program would provide long-range economic benefits. This should be an ingredient of any federal program and in the revision of this act we strongly encourage you to involve the states of this union.

Before I continue, I have with me a detailed assessment which I will leave for your review and consideration.

In concluding, I would like to offer some specific recommendations:

The State Allocation should be based on a ratio of the State's number of unemployed persons to the number of unemployed persons nationally.

The time period for determining unemployment under this act should be the most recent twelve months.

The federal share of any project for which a grant is made under this act should be for up to 80% of the project cost and the non-federal share of the aggregate cost of any such project be not less than 20%.

That as a part of the criteria a clear statement that a project be located within the area of high unemployment to directly benefit and provide employment opportunities and long term benefits for unemployed persons who are residents of the community or neighborhood.

Finally, subject to program administrative costs and statutory minimum and maximum amounts allocated to individual states by the legislation, funds should be set aside for individual states based on the share of unemployed persons residing in a state of the total national unemployed persons.

Members of the Committee, I appreciate this opportunity to participate in this important meeting and your kindness in allowing my presentation on a very short notice.

Senator GRAVEL. Our next gentleman, who certainly gets the award for coming the longest distance, Prince Galumalemana Vaiinupo Alailima from American Samoa.

Prince, I didn't try to give all of your name. Maybe you could give us your name for the record. If we could take your statement and put it in the record and ask you to summarize, since I already am late for an appointment.

STATEMENT OF PRINCE GALUMALEMANA VAIINUPO ALAILIMA, AMERICAN SAMOA

Prince ALAILIMA. I am Prince Galumalemana Vaiinupo Alailima, special representative of the native village of Samoa.

Mr. Chairman and distinguished members of the committee, I would like to thank you for the courtesy extended this Samoan Prince and special representative for various villages of Samoa.

Attached herewith is a copy of one of my commissions. At the outset we propose an amendment to S. 427 or any other bill, amending S. 427, sec. 102(c) page 2, line 14 to read: "tribes *and native villages of Samoa and Swains Island* or Alaska *and Samoan* Native organizations; * * *" (amendment in italic).

We consider this a very critical one because we have been considered since 1965 to be eligible for funding, but every time I go down to the EDA, they always come up with another excuse. Either we run out of funds or we are not considered as local governments. So that is why it is necessary for this amendment to get into the law and eliminate any more misunderstandings. As you can see, we are just like the American Indians and also the Alaskans. So we though that we would like to insert this, and we are honored to be considered together. Because for the first time in 76 years, since the United States governed Samoa, the Congress, at least the House, recognizes us explicitly, that some native villages are local governments. But this must come under the definition of Indian tribes.

Senator GRAVEL. Let me say that I have been working with the counsel here this morning on that exact problem with respect to the difference between municipalities and villages as it affects Alaska. I have asked my staff person, Mr. Richard Aks, to attend a meeting that you are going to have this afternoon with Senator Burdick. So let me just assure you that since it affects me very directly with my villages, I am sure that we are in the same boat, that you have a very strong case and I will be happy to support it. I will have someone at the meeting to go in detail. I think it is difficult to grasp the direct impact of the language. Your trip will not be in vain. We will get you covered along with the Alaskan Natives.

Prince ALAILIMA. Thank you very much.

Senator GRAVEL. Thank you very much.

I appreciate your coming.

[The attachment and statement follow:]

PAGO PAGO, TUTUILA
AMERICAN, SAMOA

December 1, 1969

THE COMMISSION
OF HIS HIGHNESS PRINCE GALUMALEMANA
VAIINUPO ALAILIMA

To Whom It May Concern:

In accordance with the wish and desire of the people of American Samoa to preserve the Samoan Culture, the Samoan Democracy (or Matai System), the Samoa Dignity; at the same time properly channelled the resources of the United States and American Samoa to stimulate badly needed village government and prosperity, to provide sound village government and dynamic village leadership and responsibility, and to promote enduring peace with justice and happiness for every village concerned; We, Chiefs, Leaders, and Representatives of various villages of American Samoa, by virtue of our Samoan Custom and our authority in our Village Governments do hereby commission His Highness Prince Galumalemana Vaiinupo Alailima, a native son of Samoa to be our Special Representative and Consultant in all matters affecting the interest and welfare of our village governments. He shall be our Special Spokeman in Samoa and abroad until the Proposed Village Government Set-Up is adopted and village governments are functioned properly. He shall be the Coordinator of all the policies, and work, in the meantime, as a Special Director of Personnel for village governments empowered to recruit administrators, professionals, and technicians for village government service. He may, if necessity allows him, direct or assist any department in a village government until such department is functioned properly. He may designate others to assist him in the performance of his duties - assistants for Samoa shall be Samoans

To Whom It May Concern. . . . .(cont'd). .Page 2

(matais) of the village itself and those matais shall be permanent residents of the said village here in American Samoa. He is hereby requested by us to organize our villages for the purpose of assisting us and our villages meet our respective responsibilities in leading and promoting the general welfare of our people.

We seal this commission by subscribing our names below:

VILLAGE REPRESENTATIVES

VILLAGES	HIGH CHIEFS
Pago Pago	Mageo Felise (Chairman)
Aua	Faafia Tuiloga
Nuuuli	Taufetee
Alofau	
Alao	
Seetaga	Gaea Vaiaea
Faletolu	T.F. Maugaotega
Faleniu	
Asu	Masitalo Irane
Fagatogo	Faagata Mago
Olosega Island	
Matuu	
Poloa	Mailealo Nemaia
Malaeloa	
Pavaiai	
Amouli	Utu Samuelu
Fagasa	
Aunuu Island	Matoi Tiai
Afono	
Vaitogi	
Laulii	
Vatia	
Leone	

Senator GRAVEL. Could all three people come to the table right now? That would be Mr. McMahon, Mr. Grenville Whitman, and Mr. Neil Goldstein. Why don't you all come forward and grab chairs.

There is a gentleman from Connecticut back there, why don't you grab a chair also?

Gentlemen, I do have a tough time frame; it is either this or your not being heard. I know the preparation that people go through to be heard in these hearings. So your statement will be put in the record in its totality and it will receive the examination of the staff just as much as if you had given it here. I would like to give you a chance to just very briefly summarize the main thrust of your efforts here.

STATEMENTS OF J. ALEXANDER McMAHON, PRESIDENT, AMERICAN HOSPITAL ASSOCIATION; GRENVILLE WHITMAN, NATIONAL ASSOCIATION OF NEIGHBORHOODS, GREATER HOMEWOOD COMMUNITY CORP., BALTIMORE, MD.; NEIL GOLDSTEIN, NEW YORK REPRESENTATIVE, SIERRA CLUB; AND HOWARD B. BENNETT, SUPERINTENDENT OF SCHOOLS, WINSTED, CONN.

Mr. McMAHON. Thank you, Mr. Chairman. I am Alexander McMahon, president of the American Hospital Association, here in support of S. 427 and particularly that portion that would add, as project applicants, projects for the construction and renovation and repairs of health care rehabilitation facilities owned and operated by private, non-profit-making entities.

At the present time health facilities that are owned by local governments and State governments are eligible. Some communities depend on not-for-profit facilities for the delivery of health services. Therefore, we appreciate the inclusion in your bill of that provision for 1978 funds.

Senator GRAVEL. It sounds legitimate and I would support it.

Mr. McMAHON. We would suggest, if possible, you consider also the addition of these projects in the 1977 additional funds, and that would take an amendment but it would meet the spirit of the basic bill, Mr. Chairman. That is our thrust. You know the importance. We have talked before about health facilities and the health of the community. Also these projects tend to in some cases add specific jobs. The Secretary perhaps pointed out this morning, those jobs would be in the private sector and would add to the major thrust of the bill.

Thank you, Mr. Chairman. I appreciate the opportunity to make this statement.

Senator GRAVEL. It is in the bill for the third round.

Mr. McMAHON. That is right.

Senator GRAVEL. Apparently it caused some difficulty in the second bill.

Mr. McMAHON. Obviously there are many projects where applications have now been made. But a statement in the Federal Register opening this up would bring forward some projects that are ready to go.

Senator GRAVEL. We will consider that. Very good. It will be considered.

Thank you very much.

STATEMENT OF GRENVILLE B. WHITMAN, PRESIDENT, GREATER HOMEWOOD COMMUNITY CORP.

Mr. WHITMAN. Mr. Chairman, my name is Grenville Whitman. I appear on behalf of the Greater Homewood Community Corp. of Baltimore, and the National Association of Neighborhoods here in Washington.

Very briefly, on Senate bill 306, the specific reference to section 1109, local corporations, I would approve the idea for the local government to establish or designate an appropriately represented nonprofit corporation to carry out the funded activities. However, I would like to have this section's language amended to permit and encourage—or even direct—this body to contract with responsible, nonprofit community organizations so that these organizations themselves would recruit and supervise the young people, as well as identifying specific appropriate projects, especially improvements on low-income housing—public and private—and restoration work on publicly owned land.

Senator GRAVEL. Let me ask you one question.

Some of the witnesses have talked of the fact that this title II, our youth program, would create a new system. You are suggesting that your organization could carry out this facet of the program. Does your organization have experience in handling youth programs?

Mr. WHITMAN. We actually have a contract with the mayor's office right now. We run an employment office under CETA funding.

Senator GRAVEL. Are you nationwide?

Mr. WHITMAN. No; it is a community operation in Baltimore, only a small part of Baltimore.

Senator GRAVEL. We need this kind of effort.

Mr. WHITMAN. We are at the bottom looking up. It really doesn't matter who administers it at the national level to us. But the CETA program in Baltimore is operating pretty well.

Thank you.

Senator GRAVEL. To your knowledge, is your national organization designed to have all of their chapters or local organizations play a role?

Mr. WHITMAN. The National Association of Neighborhoods?

Senator GRAVEL. Yes.

Mr. WHITMAN. I cannot speak with any authority on the National Association. I know their board is having a board meeting this weekend.

Senator GRAVEL. Good. Why don't you bring it up at the board meeting? If they have something to communicate, it would be most helpful.

STATEMENT OF HOWARD BENNETT, SUPERINTENDENT OF SCHOOLS, WINSTED, CONN.

Mr. BENNETT. My name is Howard Bennett. I am the superintendent of schools of the city of Winsted in Connecticut. I am here representing my community specifically because our project theoretically was funded under the first round. We had the highest rating in northwest Connecticut, one of the highest ratings in the Northeast, 97.6. However, the EDA wrote us a letter saying they made an error in their computing and therefore we would not get our money, even though we have the highest rating practically in the State. This error on their part is costing us approximately $40,000 a month because of the construction costs in that part of Connecticut.

Senator Gravel. How did that happen? Did you just start the job without the money on the basis it was coming?

Mr. Bennett. No; but the closest district to me that was funded has already received a check. Therefore, they are breaking ground and beginning their work. They are telling me now that the possibility is several months ahead for this funding. Therefore, each month hence will be $40,000. It is a $4,400,000 project.

Senator Gravel. But if it does not qualify, if they made a mistake and it does not qualify——

Mr. Bennett. No; it does qualify. Excuse me. The mistake is on their part.

Senator Gravel. Why don't you hang around here and we privately—we have some more projects, specific difficulties we can address ourselves to and solve. But I think it will take a little more time to describe it. Staff will be available to meet with you.

Mr. Bennett. Fine. I will do that.

Senator Gravel. We are not going to let you get gouged.

Mr. Goldstein, we have a problem on time. I am considerably late for a luncheon, but I did want to give everybody a crack at the table.

STATEMENT OF NEIL GOLDSTEIN AND LINDA BILLINGS, SIERRA CLUB

Mr. Goldstein. I will try to summarize the statement as best I can. I think that we are very concerned that this be a positive program and carry out certain goals we are very much interested in. We have several suggestions for environmentally beneficial ideas in public works. We believe that the Senate should look very carefully upon the idea of being more specific in the current legislation when it is revised to be sure——

Senator Gravel. More specific with respect to environmental?

Mr. Goldstein. More specifically to be sure there are positive statements made in there for such programs as improvements of mass transit, improvement in pastoral service and other areas which we think can be very beneficial to the country as a whole.

In fact, in the context of the current gas shortage, I think it is very important to look at the sorts of things that can be done, to look at things such as conserving fuel. We would also like the Senate to look very, very carefully at one area commented upon by the Commerce Department. It is sometimes difficult when any approvals or denials have to be made. We believe there should be careful attention paid so that the total disregard for NEPA doesn't take place because of this. We believe there can be safeguards breaking into the bill which would mean environmentally damaging programs would not take place.

I want to emphasize one point. We think the public works program cannot only be environmentally damaging but can be environmentally beneficial. I think that should be placed in the bill.

Senator Gravel. Thank you.

I share that same view.

I ask consent to include in the record assorted statements and letters that have come to the committee from persons who are unable to testify. (See Appendix, p. 425.)

[The statments of Mr. McMahon, Mr. Whitman, Mr. Bennett, and Mr. Goldstein follow:]

AMERICAN HOSPITAL ASSOCIATION
ONE FARRAGUT SQUARE SOUTH WASHINGTON D.C. 20006 TELEPHONE [illegible]
[illegible]

STATEMENT OF THE AMERICAN HOSPITAL ASSOCIATION
ON S.427
BEFORE THE ECONOMIC DEVELOPMENT SUBCOMMITTEE
SENATE COMMITTEE ON PUBLIC WORKS

February 4, 1977

Mr. Chairman, I am John Alexander McMahon, President of the American Hospital Association. Our more than 6,500 institutional members include most of the hospitals of the country, extended and long-term care institutions, rehabilitation facilities, mental health facilities and hospital schools of nursing. In addition we have 24,000 personal members. We appreciate this opportunity to testify in support of S.427 which would authorize additional funds for the Public Works Employment Act of 1976, Title I of P.L. 94-369.

That law was enacted last year in response to widespread appeals for anti-recession action to stimulate the economy and help reduce unemployment. Instead of establishing a program of "make-work" projects, the Congress wisely chose to provide a program of federal grants for local public works projects -- construction, repair or other improvements of local public facilities in areas of high unemployment, thus bringing the dual benefits of speeding up construction of needed public works projects that have a valuable lasting employment impact on the community and at the same time helping to reduce unemployment in the construction industry which has been a major victim of the economic recession.

Among the types of public works projects cited by witnesses supporting the legislation were waste treatment and sanitation facilities, hospitals and other health care facilities, schools, libraries, and street and road projects. The 1976 law, however, did not specifically refer to nonprofit health care facilities in describing the projects eligible for assistance under the program. While we were pleased that the Economic Development Administration took the position that publicly owned health facilities were eligible for assistance under the program, we believe it was unfortunate that they excluded private nonprofit health facilities projects. Of the total $2 billion appropriated for carrying out the FY 1977 program, some 49 publicly owned hospital projects received a total of $62 million, which is about 3 percent of the funds distributed. Limiting participation of hospital and health care projects to those that are owned by a unit of government denies the benefits of the program to a community seeking to repair, renovate, or build a non-profit hospital, rehabilitation or other health care facility, where such institution is providing essential community services and in some instances is the only such facility in the community.

The nature of institutional health care is constantly changing and hospitals must adapt their physical facilities for inpatient and ambulatory care to meet new requirements. Further, many hospitals urgently need to modernize outmoded physical plants to meet fire safety and other building codes and standards, as well as to improve efficiency. The cost of such capital expenditures adds to the cost of institutional health care. The public works employment program can help meet some of these hospital modernization needs and at the same time reduce capital costs. Speeding up construction of such projects would be an important contribution toward the objectives of the Public Works Employment Act and help provide essential community services that will assist the community in attracting new business and enterprises that are vital to its economic development.

We are pleased that Sec. 103(b) of S.427 specifically provides that "projects for construction, renovation, repair or other improvements of health care or rehabilitation facilities owned and operated by private nonprofit-making entities" shall be eligible for grants under the proposed FY 1978 cycle of the program. The Economic Development Act of 1965 set a clear precedent for including both publicly-owned and private nonprofit health care facilities in such public works programs, as does the Appalachian Regional Development Act.

Mr. Chairman, we strongly support the provision in your bill, S.427, that would include health care and rehabilitation facilities in the proposed FY 1978 phase of the program. Further, we recommend that the provision also be applied in the distribution of the additional $2 billion which the bill would authorize for the program for FY 1977. While this would involve the receipt of some additional applications for FY 1977, I believe a notice in the Federal Register is all that would be needed to implement such a change following enactment of the legislation.

I urge your Committee's favorable action on our recommendation that nonprofit health care facilities be specifically declared eligible to receive grants from any additional FY 1977 Public Works Employment Act funds that are authorized and that such projects be expressly included in the proposed future cycles of the program.

Thank you for the opportunity to present the views and recommendations of the American Hospital Association on S.427. We will be pleased to respond to any questions.

Greater
Homewood
Community
Corporation

210 West Twenty-eighth Street/Baltimore, Maryland 21211 (301) 889-7927

People—the Key to Greater Homewood

January 4, 1977

Testimony

Senate Bill 306 - Youth Community Improvement Program

Senate Committee on Public Works

Good morning. My name is Grenville B. Whitman. I am President of Greater Homewood Community Corporation, 210 West 28th Street, Baltimore, Maryland 21211. Greater Homewood is a member of the National Association of Neighborhoods, with offices and staff in Washington. I am presenting what I hope is constructive criticism of S.B. #306, which proposes a Youth Community Improvement Program.

I am basically very much in favor of this bill.

In specific reference to Section 1109 ("Local Corporations"), I approve the idea for the local government to "establish or designate" an appropriately representative non-profit corporation to carry out the funded activities. However, I would like to have this section's language amended to permit and encourage (or even direct) this body to contract with responsible, non-profit community organizations so that these organizations themselves would recruit and supervise the young people, as well as identifying specific appropriate projects, especially improvements on low-income housing (public and private) and restoration work on publically owned land.

I have three reasons for recommending this amendment.

One, many community organizations, such as the one I represent, are eminently capable of fulfilling their responsibilities. Many have existing track records of administering public monies in the public interest.

Two, community organizations can most easily and accurately identify both unemployed youngsters and projects which need to be undertaken.

Three, and this is not unimportant, community organizations are notorious penny pinchers, and a dollar in the hands of a community organization is likely to go a long way.

Using Greater Homewood as typical of an urban "umbrella" community organization, as to reason #1: Greater Homewood now administers an employment center (contract with the Mayor's Office in its 3d year), a senior citizens' project (contract with the Mayor's Office in its 4th year), a Mayor's Station (contract, 3d year), and a planning project (Community Development Block Grant, 3d year). We will be administering a multi-purpose center contract starting this July.

As to reason #2: our organization is governed by a board with representatives from 16 neighborhood groups, 6 "institutions", and 2 businessmen's associations. These contacts, coupled with volunteer residents who staff our ten committees, and with a paid staff of 44, many who live in our community, make our organization most capable of identifying unemployed youngsters and needed public projects.

As to reason #3: our annual budget of $300,000 (from donations, United Fund, grants, and contracts) is modest relative to the work which we perform in and for our community of 45,000 citizens. It is safe to say that, since 1969, our corporation has been instrumental in arresting many processes of urban decay and in promoting many projects and activities which have begun to resuscitate our community.

Greater Homewood is not unique, I assure you. There are many, many more such organizations, both in Baltimore and in other cities, with many unemployed young men and women and much public interest work which needs to be performed.

Therefore, I urge that Section 1109 be amended as suggested above to both strengthen the bill and to ensure that its intent can be thoroughly realized and its goals accomplished.

ADDRESSING THE SENATE COMMITTEE HEARING REGARDING TITLE I, LOCAL PUBLIC WORKS ACT

The United States Department of Commerce, Economic Development Administration, under the directorship of John E. Corrigan, of Philadelphia, Pennsylvania, has stated to the Winchester Board of Education that the denial of our project L-CT-0179-2, which encompasses 4.4 million dollars, represents an error on their part. Mr. Corrigan states in his letter of response to our request for an investigation of our denied project, dated January 26, 1977, "This project was resubmitted within the deadline, but did not appear in the initial computer printout used to select projects. It was thus not possible for this office to put the project on the preliminary list of fundable projects. Had it been on the printout, it would have been selected, as it is the highest ranking project in Litchfield County. When it appeared on subsequent output, it was listed as denied because area funds were already over the established benchmark for that county." Mr. Corrigan further stated, "While this represents an error on our part, we hope that such situations are understandable, given the rush, to process over ten thousand applications in less than two months."

This computer error has meant to the rural community of Winchester the privation of a much needed school facility sought by the Winchester Board of Education for over five years. Furthermore, the actual dollars lost by delaying construction, as indicated by the latest construction index for our locality for a six month period, is $182,800.00. Therefore, I submit that the second round allocation for funding should indicate an additional cost factor for construction increases for those projects which were a product of computer error.

We, of Winchester Connecticut, commend the United States Congress, for developing this piece of legislation, directed toward areas of high unemployment, which relieves the burden of additional taxation for a much needed education facility to develop the creative talents of your Americans.

We thank you for this opportunity to express our concerns, and participate in our democratic heritage.

Howard W. Bennett

Superintendent of Schools,
City of Winsted,
Conn. 06098

SIERRA CLUB
330 Pennsylvania Avenue, S.E.
Washington, D.C. 20003
(202) 547-1144

STATEMENT OF NEIL GOLDSTEIN

AND LINDA M. BILLINGS

ON S. 427

PUBLIC WORKS EMPLOYMENT ACT OF 1977

AND S. 306

YOUTH COMMUNITY IMPROVEMENT ACT OF 1977

SENATE PUBLIC WORKS COMMITTEE

FEBRUARY 4, 1977

Senator Randolph, members of the Committee, my name is Neil Goldstein and I am the New York Representative of the Sierra Club. The Sierra Club is a national environmental and conservation organization with [illegible] members. Appearing with me today is Linda M. Billings, who is a Washington (D.C.) Representative for the Sierra Club. Ms. Billings worked on the Local Public Works Capital Development and Investment Act of 1976.

Although I am here today representing the Sierra Club, I think it would be useful first for me to explain why I have such a deep personal concern about unemployment. Until this past August, I was a locally elected party official in an area of New York City called Washington Heights. Although I was nominally elected to serve one party, my actual day-to-day activities required me to serve the needs of all the approximately 30,000 people in my district. I represented the southern half of Washington Heights, where Washington Heights merges with Harlem. It is an area where unemployment and poverty are widespread. Well before the current gas shortage, we had to deal with our own fuel crisis because my constituents could ill afford housing where heat was supplied regularly. Long lines at the unemployment office, gangs of unemployed youths and illness bred by poverty were commonplace items that I had to contend with each day. I have seen the effects of unemployment first hand. It is for these reasons that I am so interested in your efforts to reduce unemployment. But while the problem of unemployment requires immediate action, I believe that it also requires that we contemplate how our actions will affect the nation in future years as well. Let's look, therefore, at how the nation will view these efforts in years hence. Let's look at the possibilities for the future by examining, first, the promises and hopes of the past.

The public has been told, repeatedly told, that a public works program will do more than create "make work" jobs. A public works program can help to rebuild our decaying cities, restore our eroded farmlands, and replant our denuded forests.

We were once told that there would be a post-Vietnam war surplus which could be used to help eradicate poverty and renew our nation. Today this Committee is considering the way in which some of those same billions of dollars can be created through a temporary deficit rather than from that surplus which never materialized. How, today, will our nation's leaders choose to spend these billions? When the voters look back in two or three or five years, when unemployment is substantially reduced and, therefore, not the only item on their minds, will they say that we have wasted an opportunity? Will they say that we missed a chance to use these funds in a way that would have truly meant a difference to the future of our nation or will they say that this Committee fulfilled their hope that "public works" would benefit this nation in the ways that have been promised.

There is a second possibility that we must explore if we are to see how the American public will perceive results of this program in the years ahead. The possibility persists that unemployment may remain high despite your efforts. All we need to do to see the source of this potential failure is to look out the window at this winter's snows. While the nation freezes, and millions are thrown out of work because of fuel shortages, we in the environmental movement can only say, sadly, "We told you so." We have, for quite some time, called for increased conservation of our natural resources, including our energy resources. These shortages will likely get worse, not better, in the years ahead, and unless the Congress responds to this fact of nature, no amount of effort and money can have any impact on the unemployment problems except, perhaps, to make it worse.

What, then, does the Sierra Club propose? At their January meeting, the Sierra Club Board of Directors adopted as one of the seven major priorities "Urban Public Works to make American cities livable." We propose a public works program that will include well-thought-out specific guidelines for the type of public works that our country urgently needs. We believe that our country needs a public works program that will reduce national energy consumption and help reduce the wasteful use of our natural resources, including our land resources. We believe that these goals can, in turn, be furthered by a program which improves mass transit, upgrades our nation's railroads, rehabilitates inner city housing and restores our urban open spaces. This is the type of program which the American public in the years ahead will view with respect and admiration and which the Committee will be able to view with pride.

We believe, finally, that there are realistic and in some cases specific proposals available in each of these areas. Here are a few examples:

1. Passenger Rail Service: Major rehabilitation and upgrading of rail routes vital to passenger service could create many new jobs. A specific jobs/public works program in this area has already been developed by Amtrak. In prior sessions of Congress, the absence of executive leadership prevented this program from being implemented. The original $700 million Amtrak proposal could be revised, at a minimum, to reflect subsequent inflation (the proposal would today amount to approximately $1 billion) and be included in your program.

This program could employ many people for the installation of new rails and ties and improvement of rail roadbed quality to allow high speed service on important medium distance intercity corridors. Such improvement in service would have the added benefit of helping substantially reduce future Amtrak subsidy needs. As has been demonstrated by the Northeast Rail Corridor Program, high quality service attracts passengers and helps sustain the direct costs of such service.

In addition to this program, which we view as quite limited in scope, we suggest analysis of a more extended program. There exist some twenty corridors that presently lack high-grade rail passenger service which we believe deserve study; they are located in every region of the country.

2. Public Lands Protection: We propose examining the opportunity for an increase in staffing for each of the nation's public lands protective systems. Newly hired personnel could, under the direction of Park Service and Fish and Wildlife Service personnel, engage in maintenance and reclamation activities in our nation's parks, forests, and wildlife refuges.
3. Mass Transit: The National Mass Transportation Act provided both capital construction and operating subsidies assistance for mass transit. Most of these funds have already been obligated. We anticipate an additional UMTA request for funds this year.

This request might, if included as a part of your public works program, be expanded substantially beyond the amounts which we anticipate will be requested and which Congress may approve in the absence of such inclusion.

Several transit proposals have, in past years, been denied funding (e.g., Dayton, Ohio) because criteria for approval have been set in the context of limited funding. Substantially increased funding for the discretionary capital grants program would open job opportunities for the construction of light rail systems, people movers and other forms of transit and would employ many people in the construction of these systems and in production of their component parts.

Further jobs creating opportunities are possible by increasing assistance for the rehabilitation, upgrading, and operation of current transit systems.

4. Urban Parks: Establishing, improving and maintaining urban parks would provide opportunities for construction and for unskilled maintenance work. Such a program could be quite simply administered by providing categorical grants to cities on a formula basis which could include such factors as population density and park acreage. We are disappointed to note that although almost ten percent of LPW submissions were for recreational buildings and parks, less than five percent of the total of approved projects fell into this category.

   In those areas where Urban Recreation Areas have been established, an extensive staff of urban rangers could be established, patterned upon the model elucidated in the draft proposal of the National Park Service for Gateway National Recreation Area.

5. Housing: We suggest that additional funding be considered for rehabilitation of existing urban housing and for "infill" housing in impacted areas where private sector financing is most difficult to obtain. This program would help to revitalize our depressed housing industry and would help to halt the

pattern of suburban sprawl which has such an adverse effect upon energy use patterns and environmental quality.

6. Urban Conservation Corps: We suggest that the opportunity exists to create a federal jobs program to facilitate insulating private homes. This goal might be assisted by undertaking an energy audit of all existing homes using already existing FEA workbook materials. Such an energy audit could well utilize the services of a large number of employees who would assist interested homeowners in the performance of the audit and who might be trained, as well, in the techniques necessary for installing the necessary insulation.

   Several other important activities might be undertaken by such a staff. These activities include monitoring boiler/burner system efficiency and recommending improvements which will save fuel, distributing water conservation information and inexpensive water conservation kits to interested homeowners and staffing community recycling centers.

Each of these programs is intended to create jobs and make a contribution to our nation's energy and resource problems. The programs are each labor intensive and therefore create more jobs for each public works dollar spent. The Sierra Club supports labor-intensive rather than material-intensive public works because labor-intensive programs, in general, consume less energy and conserve our natural resources.

Unfortunately, an analysis of how P.L. 94-369, the Public Works Employment Act of 1976, has been administered brings to light some disturbing facts. We find that opportunities to realize the maximum benefits from the program have been missed, especially in our cities where unemployment rates are generally higher and exist alongside conditions of community decay and blight.

Criteria for approving projects are heavily biased toward new construction. Over $1 billion in new construction projects were funded and only $165 million went to renovation or repair projects. Yet, an analysis of the labor statistics shows that renovations produce more jobs per dollar spent. LPW renovation projects provided 109 jobs per million dollars, but LPW new construction projects provided 69 jobs per million dollars.

We urge the Committee to specifically require that higher priority be given to more labor-intensive projects in the selection process, and to remove the current bias toward new construction projects.

We have found that the number of projects funded in non-urban areas (population of less than 25,000) out-numbered projects in urban areas by a ratio of 7.4 to 1. A great many projects appear to be providing infra-structure for suburban growth. Out of 1,988 projects, there were 475 water resource projects (water, sewer, drainage), and 261 highway-related projects. Out of 262 municipal building projects (offices, town halls, courthouses, etc.), 34 were in urban areas and 228 were in non-urban areas. To correct this trend, we urge that priority be required for projects that serve pressing community needs, especially in communities where deteriorating public buildings and substandard housing exist. Projects which extend into rural, unpopulated areas should be given much lower priority or prohibited, especially if their size is clearly meant to encourage sprawl-type growth.

Since there is inadequate time for an assessment of any adverse environmental impacts, we believe this process should exclude projects which will result in significant impacts upon the environment. It would also be prudent to require that some basic information be supplied with the application to assist in the review process. Projects which would require an environmental impact statement should be specifically excluded from eligibility.

In order to give more time for review of projects to ensure they meet eligibility requirements, and to ensure that the best projects are funded, we suggest the following process. The current process which only specifies that review of projects must be completed within 60 days sometimes results in less deserving projects being approved ahead of projects which provide more jobs in more needy areas or which better serve the objectives of the Act in other ways. Instead, we believe that it would be better to allow a 30-day period to receive applications, then allow two weeks for ranking, and another 45 days for review.

Approval for projects should only be given when all necessary local, state, and federal authorizations, permits, etc. have been given and the project is fully cleared and waiting for funding. There should be some opportunity for public input to assure that projects have community support and have not been previously blocked for funding by community opposition.

One final word, we urge this Committee to take the utmost care to assure that public works do not create more unemployment rather than less. Public works which are capital-intensive, that favor sprawl, that favor further reliance upon automobiles rather than upon energy conserving transportation modes, that dam up rivers and pollute our shores, will create unemployment rather than jobs, as we run out of natural gas, oil, prime agricultural land, timber and potable water. For some time now, environmentalists have said that we can have both jobs and a healthy environment. I'd like to go a step further--I believe that we can only have jobs when we also insure a healthy environment.

Senator GRAVEL. The hearing is adjourned.

[Whereupon, at 12:45 p.m., the subcommittee recessed subject to the call of the Chair.]

APPENDIX

STATEMENTS AND LETTERS SUBMITTED FOR THE RECORD

U.S. SENATE,
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
Washington, D.C., January 28, 1977.

DEAR COLLEAGUE: All of us, I know, share the President's deep commitment to putting our people back to work. During the election campaign he made it clear that reducing the unemployment rate would be his first priority in office, and he is wise to move quickly and decisively towards that goal by proposing a program to stimulate the economy.

Nevertheless, Congress has an obligation to examine the elements of the program closely in order to determine whether in combination they represent the best possible use of the $31.3 billion that would be expended in fiscal years 1977 and 1978. I have serious misgivings about one part of the proposal and would like to take this opportunity briefly to explain why. Of the $15.5 billion of stimulus planned for fiscal year 1977, $11.4 billion is accounted for by a tax rebate of $50 for each taxpayer and dependent, supplemented by a $50 payment to all recipients of social security, supplemental security income, and railroad retirement benefits. When President Ford proposed a similar rebate in 1975, I offered an amendment to delete it, which was defeated by a vote of 52–40. I intend, reluctantly, to propose a similar amendment this year.

To begin with, the rebate would not be focused on those persons who need help the most. Everyone would receive $50 regardless of his needs or income. Approximately four million people who may be among the poorest in the country will be left out altogether. In addition, if the purpose of the program of stimulus is to create jobs, as everyone says, a tax rebate is a random, undirected and ineffective way of accomplishing the purpose. Such a rebate, especially since it is not a permanent tax reduction, is much more likely to be saved, or used to pay off existing debts. Available information with respect to the Ford rebate of 1975 is not conclusive, but there was clearly a spurt in the savings rate at about the time the rebate checks were received. Further, if the Ford rebate and tax reduction of 1975 were not sufficient to bring on a sustained recovery, what reason is there to suppose that administering the same medicine in 1977 will have the desired effect?

It is suggested that the proposal would lower the unemployment rate by the fourth quarter of 1977 by about .3% and by about .1% in the fourth quarter of 1978. Just for purposes of argument, there are now 7,519,000 people unemployed. This translates into 7.8% of the national work force. If $10 billion were used for public service jobs, one million men and women could be hired for one year at $10,000 each. This would reduce the present unemployment rate by 13%.

An $11.4 billion commitment to public works and public service employment, it seems to me, would also have a much more direct effect in creating jobs. Furthermore, a public works program, or a massive public housing program, would leave long-term, tangible benefits for the nation. This use of the money would solve several problems at one time, both creating jobs and building needed public facilities.

In the days ahead I will provide additional information in as much detail as possible to support these views. If you could keep an open mind and consider this information, along with all the other data that will no doubt be poured forth on the issue, I would be grateful.

Sincerely yours,

DALE BUMPERS.

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STATEMENT OF HON. CLIFFORD P. HANSEN, U.S. SENATOR FROM THE STATE OF WYOMING

In the weeks since the beginning of the local Public Works Program under the Economic Development Administration in early October, I have received numerous phone calls and letters concerning the administration of the funds under this program.

In addition, I recently wrote to all of Wyoming's county commissioners and mayors advising them of the possibility of a second go-round of this Act and requesting that they inform me of their suggestions and concerns. I have received a number of responses to this request. Thus, today I would like to communicate to the Committee many of the comments of the people of Wyoming concerning the local Public Works Program.

I believe of primary concern is the basic administration of these funds by the EDA. While there appears no question as to the fairness and objectivity of the EDA in the processing of these applications there was, throughout Wyoming, a general uncertainty as to what unemployment rates would constitute the floor for the receipt of these grants. This was of much concern to Wyoming, since many in the EDA apparently felt that given Wyoming's overall unemployment rate the 70 percent fund would not be absorbed completely and funds would be available below the 6.5 percent floor already written into the program. Thus, some local units were apparently encouraged by EDA officials to apply despite rather low unemployment rates. Needless to say, these applicants were far down the list and, in the end, were never in the running for the receipt of these funds.

It is my hope that, as a result of its experience in 1976, EDA will be better able to advise local communities as to the unemployment levels which are most likely to be competitive for the funds available.

Another concern of individuals in Wyoming relates to the size of grant that was or was not acceptable. At least one community received conflicting advice as to the grant that would most likely result in funding. I realize that this amount differed depending upon the unemployment rate of the applicant, however, this information was not transmitted to local governments.

EDA should establish with certainty the length of time that a state body may take to review and approve an application in order that the grant will be before EDA in time for consideration. In the past there was some confusion as to how long the State Department of Health for example, would have to approve a project. In a number of cases the deadline for the State agency fell after the deadline for final submission to EDA.

I make these points because in order for communities to meet the deadline and planning requirements established by EDA necessitated the expenditure of time and funds—which, for these small communities, was a tremendous undertaking which could not be lightly assumed. It was no small task for a community to break lose the funds necessary to complete the plans required for applications under this Act.

I realize, of course, that many of these points and concepts were known to those individuals who often serve as grantsmen to communities, yet many cities and towns and even counties may not have been in a position to hire such assistance. It was my understanding, in early conversations with EDA officials, that the procedures utilized by EDA were to be such as to make the application process as simple and as understandable as possible. I would hope that EDA would press forward with this idea and insure greater exchange of information with the various communities desiring to apply.

Many applicants expressed concern that after all of their efforts to comply with the requirements of EDA and to meet the deadlines—and in every case tremendous efforts were expended by the local applicants—they received no word as to the reason for their rejection. It is my hope that EDA would be able, at the very least, to forward to all applicants the computer print-out that EDA recently forwarded to the offices of the Congress in order that the community could at least see where it ranked with respect to those applicants which were awarded grants.

One of the chief concerns of applicants from Wyoming has been that of the percentage of the funds which were awarded to the Wind River Indian Reservation. In Wyoming 27 percent of the $10 million was awarded to the Reservation. While we are all greatly concerned with unemployment upon the Reservation and the needs of the Arapahoe and Shoshone Tribes, the tremendously high unemployment rates on the Reservation as well as the manner in which Indian unemployment rates are calculated virtually guarantee that they would receive the lion's share of available funds. I feel that a formula placing $2\frac{1}{2}$ percent of the funds available nationally into a pool for which all Indians would compete would ease this problem tremendously. Thus, all Americans would bear equally the burden of Indian unemployment rather than placing it upon the West where that burden was rather unfairly borne in the last go-around. (Indians received the following percentage of various states' allotments during 1976: Montana 48 percent, Nebraska 22 percent, South Dakota 69 percent, North Dakota 68 percent, Wyoming 27 percent).

Many Wyoming communities expressed a desire for a public benefit provision in the formula utilized by EDA. How such a factor could be worked into the formula is uncertain, but from the comments I have received it seems essential. Whether the decision is made to go with a per capita dollar limitation or a county or state rating system or some point system which awards points according to the nature of the project some system must be devised and utilized during the next go-round of the Public Works Employment Act.

A closely related problem is that concerning the 70–30 split utilized by EDA. It could well be that in a minimum allocation state such as Wyoming with the relatively low unemployment rates which we have throughout the State that the funds should be disbursed on the basis of the final figure reached by use of some formula. I have received comments on both sides of this question and I have no ultimate recommendation, but I do feel that EDA and the Committee should examine this matter.

I am aware of the call to move with haste in the awarding of these funds during a second go-round and thus the call to restrict applications to those already "in the computer." However, many of my constituents have objected to this limitation feeling that all projects should be examined given the rather tight schedule for applying during the first go-round. I would suggest that at the very least EDA should allow resubmission by initially rejected applicants in order that all first round applicants be considered.

There is a related problem which is posed by the combination of the above two matters; that is the 70–30 split which I understand may be expanded to an 85–15 split and the restriction of applications to those already in the computer. I speak here of the fact that if applications from Wyoming were limited to those already received by the Regional EDA Office in Denver, there would only be one non-Indian applicant with an unemployment rate above the national average. Given the fact that this one applicant has already received funding under the 1976 go-round it is entirely possible that there will be no applicants eligible for funding in the 70 percent or 85 percent category. I would thus urge the Committee to closely examine this matter.

Some Wyoming localities have recommended that an applicant be required to make a showing that it has sufficient revenues to maintain the facility for which the application is made. It would appear that this recommendation tracks with the concern expressed to me by EDA that the plans submitted by an applicant be sufficiently finalized so as to insure that the entire project would be constructed with the funds requested. I feel that this suggestion merits some consideration by the committee.

I wish to thank the Public Works Committee for any consideration it may give to these concerns. I am pleased to be able to transmit to this Committee the thoughts and attitudes of the people of Wyoming.

U.S. SENATE,
COMMITTEE ON ARMED SERVICES,
Washington, D.C., February 1, 1977.

Hon. JENNINGS RANDOLPH,
Chairman, Public Works Committee
U.S. Senate
Washington, D.C.

DEAR MR. CHAIRMAN: Thank you for allowing me this opportunity to express my views on the Public Works Employment Act of 1977.

Let me preface my remarks by stating that I am a supporter of public works programs and feel that, by and large, those Federal dollars spent in New Hampshire have been a worthwhile investment in the continuing vitality of our towns and cities.

My purpose in these remarks is not to criticize the principle of public works programs or to question the worth of those projects that were selected for funding in 1976—they are all good projects and I am certain that each will prove to be a lasting and valuable resource to their communities. Rather, I would like to question the fairness and capricious nature of the process by which some projects were selected and others denied; so that our experience in the first round of public works funding not be repeated in the second and third rounds.

The response in New Hampshire to the Public Works Employment Act of 1976 was overwhelming. No less than 122 individual projects calling for a total of $57 million were accepted for consideration by the Economic Development Administration. An additional 63 projects had to be denied due to inadequate completion of applications. With only $10 million in Title I funds to go around, there had to be a lot of disappointed applicants. There were. In the end, only 12 of the 122 projects were accepted for funding. In other words, for every fifteen towns that applied for local public works funds under the Act, only one was successful.

A major problem in the first round was the shortage of time for the filing and consideration of applications. This affected not only towns and cities which were forced to hastily prepare project applications and accompanying data, often with only an incomplete and confused understanding of EDA guidelines and regulations (many of which were only then being drawn up or revised)—but it also badly overburdened the EDA staff, who had to cope with the nightmarish task of giving adequate attention to thousands of applications within a very brief period of time.

As a result, over a third of New Hampshire's 185 applications were rejected for consideration at the very outset. Numerous others were subsequently rejected due to the deficiencies in project data; failure to secure permits and approval by Federal agencies; and other problems which could have been remedied had there been a more reasonable period of time for review.

A corollary problem to the shortage of time was a lack of manpower on the part of those drawing up applications and on the part of those who had to deal with the deluge of applications at EDA. Many towns which had no realistic hope of qualifying for funds allocated resources and personnel needed elsewhere because of mistaken assumptions about the public works program. The overworked EDA staff was unable to devote the time necessary to each area to correct these false assumptions and help them fix defective applications before they were submitted.

In short, the application process was wholely unlike the careful, methodical procedure by which Federal grant fund requests are normally screened.

A second major problem lay in the method by which funds were designated for use. Although not originally intended so by Congress, EDA designated 70 percent of Act's funds for high unemployment areas, on a state-by-state basis. This worked against the spirit of the Act in states such as New Hampshire where our relatively low unemployment rate severely restricted the ability of regional EDA officials to assign funds according to local needs and priorities. Moreover, the failure of Congress to define what a community could include in its "project area" led to instances where towns with relatively low unemployment received higher benchmark scores than towns with higher local unemployment, because the former were able to exploit their proximity to pockets of unemployment in adjoining out-of-state communities in determining their unemployment figures.

I urge the members of this committee to eliminate the designation of Title I funds from Public Works Employment Act of 1977 and to define the limits of project areas more precisely. Communities should be matched against each other solely on the basis of their respective economic need and the merits of their individual projects.

In conclusion, I feel that much of the ill feeling and disappointed hopes that were generated by the first round of public works funding could be averted in the third—and possibly second—rounds if we amend this legislation so that:

The period of time for application and review be extended for 30 days to allow for a pre-application screening process by local EDA officials;

Uniform project guidelines and standards be drawn up and publicized well in advance of the application filing period;

EDA be provided with sufficient additional personnel to adequately supervise and assist communities in the preparation and review of applications;

The base period for determining unemployment be extended from 3 to 12 months, so as to take into account seasonal variations in employment;

The "70-30" "85-15" provisions be eliminated and all funds be allocated solely on the basis of local economic conditions and the ability of the proposed project to ameliorate these conditions;

Project area standards be established by EDA officials so as to prevent unjustified manipulation of unrelated unemployment conditions by applicants.

I wish to thank the committee for its courteous consideration of this account. It is my earnest hope that this recounting of New Hampshire's experiences with the first public works bill will be of value in your deliberations on the second.

Sincerely,

THOMAS J. McINTYRE,
U.S. Senator.

U.S. SENATE, COMMITTEE ON APPROPRIATIONS,
Washington, D.C., February 9, 1977.

Hon. JENNINGS RANDOLPH,
Chairman, Senate Public Works Committee,
Washington, D.C.

DEAR MR. CHAIRMAN: I am writing to you in regard to my observations on the implementation of the Local Public Works Capital Development and Investment Act of 1976 by the Economic Development Administration in processing Wisconsin grant applications last year. I hope that these comments will be helpful to you during your consideration of the extension of this program.

A considerable hardship was worked on northern Wisconsin, an area consistently economically depressed with high unemployment, by using the summer months as the basis of determining unemployment figures. Northern Wisconsin, as a summer resort area, has considerably higher employment during the three summer months than during the rest of the year. I would hope that the new bill will use a different time of year as the basis for unemployment statistics so that those states with ski resort and warm winter resort areas which have their highest unemployment rates in the summertime do not receive an unfair advantage under this program.

In its attempt to make a fair geographical distribution of funds, the EDA approved only one grant per county in Wisconsin with the exception of Milwaukee County. Most Wisconsin Indian tribes received a grant approval. These tribes are located, however, in northern Wisconsin counties with the lowest employment and per capita income in the state. The approval of a grant for an Indian tribe in effect eliminated any communities in that same county from further grant consideration. If the extension is implemented in the same way, these communities will again be penalized for being located in the same county as an Indian reservation. It would seem to me to be worth considering the setting aside of a certain amount of money for the Indian reservations or else to specify in the new program that grants approved for the reservations would not jeopardize the funding of grants for adjacent communities.

The EDA may have made at least one processing error in Wisconsin resulting in the award of a grant to a community ranking considerably lower than others within the same county. In view of the incredible number of applications received by the EDA and the limited amount of processing time available, it is surprising that even more errors were not made. I would assume, however, that other errors may have been made elsewhere in the county and your Committee might want to recommend that those communities which lost out on funding due to a processing error be given priority consideration under the new law.

I sincerely hope that these suggestions will be helpful to you.

Warmest regards,

Sincerely,

WILLIAM PROXMIRE, *U.S. Senator.*

FEBRUARY 9, 1977.

STATEMENT OF THE HONORABLE GUY VANDER JAGT BEFORE SENATE COMMITTEE ON PUBLIC WORKS, ON THE SUBJECT OF THE PUBLIC WORKS EMPLOYMENT ACT OF 1976 AND ADDITIONAL FUNDING FOR 1977

Mr. Chairman and distinguished Members of this Committee, I suspect that I am joining a long line of Members who are testifying before you as you consider the authorization of additional funds for public works employment in 1977. And I suspect that my comments will be similar to those of many other Members who are concerned about the disbursement of such funds under the 1976 program.

Let me say at the onset that one of the ten counties in my District is very pleased with the EDA formula used in 1976 because it received all of the grant money awarded in the District. And I would in no way want to detract from the gratitude of that county for this money which will be used for very worthwhile projects, eight of them, amounting in total to more than $10 million.

It does happen that this particular county has the lowest unemployment rate of any of my ten counties. But I do not mean to imply in any way that those who are unemployed in this county are any less deserving of help than the unemployed in the other nine counties. This one county fell into the 30% category under provisions of the Act and was suffering a rate of unemployment just under the national average. As a consequence, it did very well.

It is also true that the largest county in my District, one with the largest number of unemployed, had an unemployment rate only several points above the national average. Other counties with much higher unemployment rates are much smaller in population and therefore have relatively few unemployed. As a consequence of the Congressionally mandated and Economic Development Administration supplemented formula, none of the projects in these counties qualified for grant approval.

Mr. Chairman, I know you have already heard this plea before and I know you will hear it often later in these hearings, but I do plead that the Committee give this question of formula for the determination of allocation of funds under the program this year the most careful consideration. I know how sensitive you are to this issue and that you will come up with an equitable formula that will resolve the problems that we faced under the 1976 Act.

In a 1977 round of grants under this program, it might be more desirable to allocate funds based on the most recent full year's unemployment percentages, by county or borough or similar political boundary, rather than to subject the determinations to seasonal fluctuations in unemployment and "gerrymandering" of labor area boundaries. It is also obvious that the Economic Development Administration will need to give careful review to the discretionary aspects of its formula and I know that this Committee will insist on that. With the experience of this past year and the admonitions from Members of Congress, I am certain the agency is sensitive to the need for change.

Mr. Chairman, to give some additional emphasis to my remarks, with your approval I would like to have a number of letters included in the record of these hearings. These thirteen letters will provide firsthand observations to the Committee of the disappointment, to use a rather mild word, and objections as to the funding formula, of the communities and other governmental units in my District. I know that this information will be helpful to you. I would particularly point out to you the letter submitted by James Arnold, Executive Director, West Michigan Shoreline Regional Development Commission.

I appreciate the opportunity to submit this statement and wish to compliment you for the very careful attention you are giving to this issue. I am confident that the outcome of your efforts will be helpful to the American people. Thank you.

WEST MICHIGAN SHORELINE
REGIONAL DEVELOPMENT COMMISSION,
February 4, 1977.

HON. GUY VANDER JAGT,
U.S. House of Representatives,
2334 Rayburn House Office Building,
Washington, D.C. 20515
(Attention: James M. Sparling, Jr.)

DEAR CONGRESSMAN VANDER JAGT: Like many others across the country we have been attempting to determine why some of our member units of Government, particularly those in Muskegon and Oceana Counties received no assistance from Title I of the Public Works and Employment Act of 1976. Early in the application process we determined that Ottawa County applicants would greatly benefit from the 70–30 split on a state-by-state basis and encouraged applications from units of government in Ottawa County. The reason, of course was that Ottawa County ranked well in rate of unemployment and number of unemployed when compared to other applicants in the "30 percent" group. Even though we were confident that some units in Ottawa County would be funded we were as surprised as anyone else when the funding level within the county reached over 10 million dollars.

We were able to obtain a computer printout of Michigan projects (enclosed)
from a source I can not identify and the data from this material indicate clearly
that unless the formula is changed your district and our three counties stand al-
most no chance of any future funding through an extension of the program re-
gardless of funding level. This point is made in view of Commerce Secretary
Kreps statement at the House Public Works Subcommittee on Thursday that the
30 percent allocation must be changed. If Ottawa County is placed in competition
with all applicants funding chances are remote. As you can see from the at-
tached printout the ranking of Muskegon and Oceana Counties on the basis of
the current formula (and most of your other districts as well) is so low that on
the basis of current ranking there is no chance for funding no matter how high
the total appropriation may be.

In our opinion the part of the formula creating the major problem is the 30
percent weight for the total number of unemployed persons which places our
local units at a distinct disadvantage with other applicants.

Since it is evident that Congress will extend the program in some form it is of
great importance that changes be made in the selection formula. It would be
greatly appreciated if you could be instrumental in modifying the formula so our
local units of government have the opportunity to utilize these funds. In all can-
dor a yes vote on the program would certainly give you a greater opportunity to
influence the final form of the legislation for greater benefits to our area than a
known no vote would.

I have also enclosed an interesting analysis of the grant allocations by the
National League of Cities. Perhaps with access to the Michigan ranking data
Jim Sparling will be able to assist you in any future action you may be able to
take in regard to pending legislation for an extension of the Local Public Works
and Capital Development and Investment Act.

Please let me know if I can be of any further assistance.

Sincerely,

JAMES L. ARNOLD,
Executive Director.

[Enclosures.]

HART PUBLIC SCHOOLS,
Hart, Mich., December 30, 1976.

Hon. GUY VANDER JAGT,
1203 LHOB,
Washington, D.C.

DEAR MR. VANDER JAGT: I am writing in response to your December 23, 1976
letter of "condolences" because of our not being selected for a Public Works
Project. We are indeed disappointed, but in reality I did not think our chances
were that great when considering the competition we would have. But what did
shock me was to read that Western Michigan was almost totally ignored when
the selections took place! I would like to know what criteria was used to make the
area selections. We, along with many other Western Michigan applicants, in-
vested a lot of time and money in filing applications, and if Western Michigan
was a "dead area" before we filed as it appears to have been, a lot of local money
and effort could have been saved. I suspect with Muskegon area receiving much
federal aid in past years under the Nixon and Ford administrations, that this
influenced Muskegon and Oceana Counties not receiving any grants. It would
have been nice to know this in advance if this indeed was the situation.

Thank you for showing an interest in our application, and if you can be of
any further assistance to us in the future, we would greatly appreciate it.

Sincerely,

LAWRENCE STEVENS, *Administrative Assistant.*

DECEMBER 28, 1976.

City of Fremont strenuously objects to the unfair distribution of monies under
LPW grant program. We feel that distribution violates the intent of the bill as
originally passed and fails to achieve the objective it was design for. It appears
that once again in the 70 percent area most of the monies centered in the Detroit
area leaving outstate Michigan with nothing.

FRED BILLERBECK, Jr.,
MONTAGUE, MICH., *January 10, 1977.*

Hon. GUY VANDER JAGT,
Congressman of the United States,
1237 Longworth House Office Bldg.,
Washington, D.C.

DEAR CONGRESSMAN VANDER JAGT: Knowing of your concern about the recent awarding of funds under the Federal Local Public Works Capital Development Program, I would like to offer some comments from the City of Montague.

At first when you voted against this bill we thought that you were wrong, but as time passed we could see some of the reasons why this bill would not be good.

As you well know our city as well as other units of government in the county received nothing to date as far as federal funds are concerned other than that Federal Revenue Sharing since WPA days.

We as well as others were shocked when we received nothing. As a result our sewers are held up a bity more.

We are still progressing along the 201 lines and will be asking for your assistance along about Spring or early summer. Status wise we are in Step II of the 201 program.

Again, thanks for all you have done. We appreciate a person like you in Washington.

Respectfully,

J. JOHN EILERS,
City Superintendent.

SAUGATUCK PUBLIC SCHOOLS,
OFFICE OF THE SUPERINTENDENT,
Saugatuck, Mich., January 4, 1977.

Hon. GUY VANDER JAGT,
Congressman,
House of Representatives,
Washington, D.C.

DEAR GUY: I would personally like to take this opportunity to thank you for the interest and assistance you have given our Public Works Project.

Naturally, the Board of Education and myself were deeply disappointed at not being able to qualify as a recipient. However, we are hopeful that additional funds will be made available for projects such as ours, through subsequent funding.

Since I received your letter of December 23 1976 I have had an opportunity to talk with a number of people who submitted Public Works applications in Allegan County; and I was very much surprised when I found that no one in Allegan County qualified for funds under the format that the Economic Development Administration had structured.

I would appreciate it if you could find some time in your busy schedule to look into what criteria was used by the EDA in the selection process.

Some of the projects which were submitted in the County north of us did receive Local Public Works assistance and from what I can determine we in Allegan County are experiencing a much higher unemployment rate. I was under the impression that creating jobs and employment was the prime impetus with regards to the Local Public Works Act.

Again I would like to reiterate that the Board of Education and myself do appreciate your help, guidance, and assistance.

Best wishes.

Sincerely,

WAYNE F. KRUEGER,
Superintendent.

LOCAL UNION NO. 100,
U.B. OF C. AND J. OF A.,
Muskegon, Mich., January 11, 1977.

DEAR SIR: I am writing as to the feelings of the 500 carpenters I represent.

It is inconceivable the Muskegon County should have been forgotten in the allegations for monies under the Federal Local Public Works Capitol Development Program. Our unemployment in this area has been at an extreme low for the last three (3) years and therefore feel as though we should not have been forgotten.

Sincerely,

JAMES STARK, Jr.,
Business Represeytative.

JANUARY 11, 1977.

Re Project Locator No. MI–0202.1

U.S. DEPARTMENT OF COMMERCE,
Economic Development Administration,
Midwesternd Regional Office,
Chicago, Illinois

DEAR SIRS: The Board of Directors of the Newaygo Soil Conservation District is very disturbed in regards to the outcome of their application for assistance through the Economic Development Administration.

From reports of those receiving funds in our area of Michigan, it appears that educational institutions are receiving priority, with complete disregard to unemployment rates.

It is very difficult to believe that your agency is not responding to needs as established by Federal agencies. The Newaygo Soil Conservation District is trying to the utmost of its capabilities to provide tree seedlings to private landowners to help offset shortages that are predicted by the United States Department of Agriculture Forest Service. This is a Federal agency telling Americans to plant trees or we will face a shortage that will affect not only our living conditions but our living. This is an environmental situation which again is to receive higher priority by Federal agencies.

Educational institutions, on the other hand, are being encouraged by your agency in complete disregard for a stabilizing growth rate in population.

We are very much concerned, as will our State and Federal legislators be, as to the logic behind your denial of a project such as ours, which would be continually beneficial to both environmental and employment situations.

An explanation in regards to your reasoning will be very much appreciated.

Sincerely,

FRANK WENTLAND,
Chairman, Newaygo Soil Conservation District.

BENZIE COUNTY BOARD OF COMMISSIONERS,
Beulah, Mich., January 12, 1977.

Mr. JAMES COLLISON,
Economic Development Administration,
Representative for Michigan,
Lansing, Mich.

DEAR MR. COLLISON: At the January meeting of the Benzie County Board of Commissioners, the Board unanimously passed a motion strongly protesting the formula by which Public Works funds are being distributed pursuant to Title I of the Public Works Employment Act of 1976. The formula therein tremendously favors urban areas and apparently does not allow rural areas such as Benzie County an opportunity to participate.

Benzie County has a high demand for community facilities from both residents and visitors enjoying Benzie County as a resort area. We have a low tax base to support these facilities; and, unfortunately, our state, region, and county have historically received a very low return on their federal tax dollar.

Over the last year our unemployment rate has averaged over ten percent and many of our unemployed are quite capable of doing construction work on eligible projects under Title I of the Act. These federal dollars could provide community facilities not otherwise possible and provide desperately needed jobs in Benzie County. We cannot support an expansion of these Public Works funds unless it gives Benzie County an equal opportunity to employ its jobless citizens. However, the Benzie County Board of Commissioners would strongly support a Public Works program with funding formulas that allowed rural counties an opportunity to employ their jobless citizens.

Thank you.

Cordially,

HAROLD WESCOTT, *Chairman.*

OCEANA COUNTY BOARD OF COMMISSIONERS,
COUNTY BUILDING,
Hart, Mich., January 14, 1977.

Hon. GUY VANDER JAGT,
U.S. Congress,
Washington, D.C.

DEAR REPRESENTATIVE VANDER JAGT: On December 23, 1976, the Economic Development Administration distributed some $157 million in Local Public Works Employment Act—Title I funds to various units of government for the purpose of creating public employment jobs in the construction area. As you are no doubt aware, various political subdivisions in Oceana County had submitted twelve (12) projects applications and not one was approved.

The Oceana County Board of Commissioners has heard the many and varied reasons from the Region 14 Planning Commission rationalizing the large award to Ottawa County and the rejection of funds for Newaygo, Mason, Muskegon and Oceana Counties. We feel that the method of funding supporting legislation which would provide additional public works funds to counties, cities, villages, and townships in calendar year 1977.

Oceana County has an unemployment rate of 10.1% and many of its unemployed have exhausted all their unemployment benefits. The need for work, even if it is in the area of public service employment, is a crucial one in our county.

Your assistance is appreciated.

Sincerely,

MICHAEL W. MALBURG, *Chairman.*

WEXFORD COUNTY BOARD OF COMMISSIONERS,
COURTHOUSE,
Cadillac, Mich. January 11, 1977.

PUBLIC WORKS ACT RESOLUTION

Whereas, Wexford County and the entire ten county Northwest Regional Planning and Development area has applied for grants on many worthy projects,

And *Whereas,* Many counties in this area are economically depressed and experiencing high unemployment;

And *Whereas,* The present E. D. A. criteria and requirements for grant approval have effectively blocked out our entire region;

Therefore, *be it resolved,* That the Wexford County Board of Commissioners hereby protest the present system of grant approval and disbursement.

And be it further resolved that our United State Congressional Representatives and Senators be encouraged to make a concerted effort to develop with E. D. A. a more fair and equitable system, which will allow all counties and regions to participate in any extended Public Works Acts Project funding.

L. WOLGAST, *Chairman.*

STATE OF MICHIGAN, BOARD OF COMMISSIONERS FOR THE COUNTY OF ALLEGAN

At a regular meeting of said Board held in the City of Allegan, County of Allegan, on January 11, 1977, the following Resolution was adopted:

RESOLUTION

Whereas, The members of the Allegan County Board of Commissioners seriously question the method of allocating more than $10 million in Federal funds to Michigan's ninth district, and

Whereas, We appreciate the above average amount, we cannot understand why that full total was allocated to just one County, Ottawa. Allegan County has a 7.7 rate of unemployment, higher than that of Ottawa County which is 7.4 percent, and

Whereas, The projects presented by Allegan County governmental units were compared in nature and cost to those of Ottawa, yet none were approved,

Therefore, be it resolved, That the Allegan County Board of Commissioners urgently request Congressman Vander Jagt to support efforts for a review of the aforementioned by both the Senate and House Committees on Public Works.

Be it further resolved That copies of the Resolution be mailed to Congressman Vander Jagt and Senators Griffin and Riegle.

STATE OF MICHIGAN)
ss
COUNTY OF ALLEGAN)

I, Russell Sill, Clerk of the Allegan County Board of Commissioners, do hereby certify that the above Resolution was duly adopted by the said Board on January 11, 1977.

In testimony whereof, I have hereunto set my hand and affixed the seal of said County and Court at Allegan, Michigan, this 11th day of January, 1977.

RUSSELL SILL, *Clerk.*

WALKERVILLE FIRE DEPT.,
Walkerville, Mich., January 14, 1977.

Mr. GUY VANDER JAGT,
House of Representatives
Washington, D.C.

DEAR MR. VANDER JAGT: I received a letter from your office regarding the refusal of the Federal Government to fund the community building and the sewer system for the Village of Walkerville.

It is nice to know who in the state rates so good. Our town and area around had a 14 plus unemployment rate in 1976, and the government says we don't need any help to put people back to work. It looks to me like rural America and small business's will always get it stuck to them. We can just keep paying taxes to be sent to the cities where the votes are.

I am discouraged, tired, and just plain giving up on our great Washington empire that's only concern is getting elected. I pray that someday you guys will wise up and represent us all and spread the tax money back evenly to the tax payers not just buy votes with my money.

Your truly,

JERRY FRICK.

[Mailgram]

Local 275
International Brotherhood Electrical Workers,
Muskegon, Mich., January 4, 1977.

Hon. GUY VANDER JAGT,
House of Representatives
Washington, D.C.

DEAR SIR: I am writing this letter to you requesting the reasoning behind the fact Muskegon County did not receive one dime of the Federal Local Public Works Capitol Development program monies. It is inconceiveable that an area like Muskegon County which has had high rate of unemployment for years and still has a high rate of unemployment could be bypassed. I sincerely hope this situation can be rectified soon or a reasonable explanation given, respectfully.

JAMES W. RUDICH,
Business Manager.

PREPARED STATEMENT OF GOVERNOR GEORGE BUSBEE, STATE OF GEORGIA

Mr. Chairman, members of the committee, since becoming the Governor of Georgia in 1975, I have become increasingly concerned with several economic development issues involving our State/Federal partnership. I appreciate this opportunity to share my concerns and views on what might be done to expedite economic recovery.

In August of 1976, the Congress of the United States, in its override of a presidential veto, put into effect Public Law 94-369, the local Public Works and Employment Act of 1976. It is the extension and possible amendments to title I of this act now under consideration which is my major concern.

As you know, Congress has provided the States with several economic development programs. In Georgia, as in other Eastern States, two regional economic development commissions cross the State: the Appalachian Regional Commission (ARC), created by the Appalachian Regional Development Act of 1965, and the Coastal Plains Regional Commission (CPRC) established in 1967 and expanded in 1976 by the Secretary of Commerce under Title V of the Public Works and Economic Development Act. In addition, the Economic Development Administration, in working with local and State government provides funds for projects through other titles and sections of the Public Works and Economic Development

Act. I am also involved in State planning for the use of Federal waste water treatment funds under the Environmental Protection Agency. In this context of involvement and experience, like all Governors, I have witnessed and participated in all manner of meetings, conferences, and discussions on the practices, rules and procedures of these and other Federal institutions and their methods of resources allocation for projects.

In light of the obvious duplication of efforts in economic development programs, I question whether the people of Georgia and all the other States under the regional commission and EDA umbrella are getting the most for their economic development dollar. Would not it be better to rearrange some aspects of the available programs to enable governors and local leaders to not only meet their priorities but the Nation's as well?

Under Title I of the local Public Works and Employment Act, a scatter gun approach to a severe national problem was taken. I realize the emergency nature of the situation which prompted Congress to quickly prime the pump of local governments in order to give a boost to economically hard-hit areas. The theory was fine, but the implementation of it needs revision.

In Georgia we received approximately $25 million, about 2½% of the total appropriated funds, which is equal, coincidentally, to Georgia's share of the national population. At my direction, State agencies took a back seat to local projects and, as a result, the State received no funds. However, the rationale as to why various localities received what they did and others did not has left many local leaders and planning agencies scratching their heads.

For example, the city of Atlanta, with an unemployment rate of about 9% received $5 million for a bridge which was certainly needed. However, the project was 35th out of the city's priority list of 40 projects. In addition, Atlanta received about 25% of Georgia's allocation while every other city over 25,000 received nothing.

Carroll County, which has a total unemployment rate below 5%, had a community with 314 unemployed which received $500,000. On the other hand, their next door neighbor, Coweta County, which had a total unemployment rate over 8% and communities with larger numbers of unemployed, received nothing.

Similarly, Gwinnett County, with a total unemployment rate below 6% received $1½ million, while nearby Henry County, with a total unemployment rate between 8% and 9%, received nothing.

Numerous other similar complaints seem to be aimed at the Economic Development Administration's computer, which was supposed to avoid later charges of unfairness in selections. EDA fed into this computer approach the requirement that each state share be divided in a manner not mandated by law. Also, EDA established a comparsion of county unemployed to State unemployed supposedly to ensure that disproportionate amounts of money would not be concentrated in any one area of the State. The combination of these factors left to EDA's discretion has confused our people, to say the least. The needs approach which seemed to be inherent in the legislation was missing at the allocation level.

How can a distant Federal agency individually assess the problems of small towns and communities and then weigh one against the other? There are over 3,000 counties and over 75,000 other units of governments in this country. In Georgia alone, there were 649 possible projects filed in our State's notification of intent forms per the requirement of office of Management and Budget circular A-95. This included $462 million for local government and $43 million for State programs. Out of this expression of need, 31 projects totalling $25.2 million were approved. Certainly the EDA system worked if the only objective was to dump the money into the economy as quickly as possible. With equal certainty the system failed if you attempt to find some thread of reason as to why these 31 Georgia projects were funded over the 618 which were rejected.

To expect a small Federal agency to become omnipotent and omniscient overnight as to the equal justness of each request may be too much for us to ask. However, we can haggle until doomsday over all the problems that EDA encountered and all the demands they failed to meet and still miss the real objective of the program; to provide a badly needed rational economic stimulous to this country.

I do not think that as Governor of Georgia I have the ability or expertise to decide what New York, North Dakota or New Mexico need to enhance their economic recovery. But I do know what Georgia needs. I can work through our county and municipal associations, our local area planning and development commissions and my Intergovernmental Relations Council to plot out a program of State needs. I can help establish priorities on those needs in a way which will provide a coordinated approach to solving our present economic problems. I would like to have the opportunity to accomplish this end, and I would like to submit to you a way in which it might be done.

Section 302 of the Public Works and Economic Development Act amendments of 1974 required Governors to design an economic development planning process, and section 304 of this act provided a small amount of funds for implementation of projects generated by the process. In 1975, Georgia formalized its EDA section 302 planning program. The program's main goal reiterated the intent of congress: to establish a comprehensive economic development planning process as part of the overall State planning process. This process will set the overall state goals/objectives and priorities to guide economic development in Georgia.

Elements of Georgia's 302 planning process include: the coordination of planning activities among appropriate State and sub-State agencies; the formulation of State goals and objectives as a basis for inter-agency development programming; and the integration of the planning and budgeting functions.

I would like to emphasize that the planning process is designed so that sub-state and local planning efforts influence the determination of statewide development goals and project opportunities. It was and still is my intent to have this overall economic development planning process directed toward the reduction of chronic unemployment and the enhancement of low income levels.

To complement, and subsequently aid in the implementation of the State's 302 planning program, Georgia was provided a modest sum of section 304 monies. However, because of the constraints attached to the expenditure of these funds, a number of investment opportunities have been lost. For example, I have not been able to supplement high priority Appalachian and coastal plains regional commission projects which would have enabled me to fund more projects and programs needed in the State. As another example, I was not permitted to utilize section 304 funds to supplement urgently needed title I projects which received local Public Works Employment Act funds because "LPW" was not a "regular" EDA program. These restrictions severely affect my ability to carry out the mandate of Congress inherent in section 302. Without the means to turn our mutually developed ideas into realities my role is without potency.

Through section 302 Governors potentially have the staff, the expertise, and the state-wide input to map out a fine economic recovery system for our states. The money could go for a number of worthy economic development purposes—from matching State and local monies to working in concert with the Appalachian Regional Commission and all title V commissions. I think the results could be very successful if we stick to the principle of allowing local leaders to solve local problems.

I am not asking for a handout, but a wise approach to the disbursement of public works funds. What good are the systems Congress has mandated us to develop if we are never given resources to implement them? If a portion of the Title I funds under consideration were channelled through section 304 to implement programs, developed by the section 302 planning process, I believe you would find not only a lessening of the unemployment rate, but also discover the real ability of state and local governments to provide a logical and comprehensive short and long-term economic recovery program for the people.

In conclusion, in all true partnerships, trust is the most important ingredient. If the Federal/State relationship is to be a strong and successful one, we must be able to work together to carry out our parts of the bargain. So far, Governors have not been given the necessary resources to fully utilize section 302 and section 304.

I hope you will consider incorporation of the concepts I have briefly outlined into the pending legislation, so that we may more fully participate in the Federal/state partnership and thus more efficiently and effectively use our fiscal resources in a collective economic recovery effort.

STATE OF MICHIGAN,
WASHINGTON OFFICE,
Washington, D.C., February 4, 1977.

HON. JENNINGS RANDOLPH,
Chairman, Senate Committee on Public Works, Dirksen Senate Office Building, Washington, D.C.

DEAR SENATOR RANDOLPH: Enclosed is Governor William G. Milliken's statement on S. 427, the Public Works Employment Act of 1977. I would request that it be made part of the record.

Sincerely,

PEGGY MONIHAN,
Assistant Director.

PREPARED STATEMENT OF GOVERNOR WILLIAM G. MILLIKEN, STATE OF MICHIGAN

The State of Michigan strongly supports the continuation, expansion and refinement of the Title I program for local public works projects authorized under Public Works Employment Act of 1976.

Continuation of this legislation is essential as a vehicle for providing added stimulus to the nation's economic recovery and for the creation of jobs in those areas of highest unemployment. Equally important, the Title I program must be refined to ensure that funds are directed to those geographic areas of critical need, both in terms of decreasing unemployment and in the provision of needed public facilities.

The Michigan economy is continuing to recover from the adverse effects of the second deepest recession in the nation's recent history. The economic outlook for Michigan is much improved for 1977. However, during 1975, Michigan continued to be among the leading states in the level of unemployment throughout the nation. Michigan's preliminary annual unemployment rate for 1976 was 10.1 percent (a full 2.4 percentage points above the national average of 7.7 percent) with some 390,000 persons out of work. Representing 4.3 percent of the U.S. population, Michigan accounted for 5.2 percent of the total unemployed in the nation.

Because of Michigan's continuing unemployment problems, expansion of the state's economy and job opportunities is Michigan's highest priority for 1977. It is imperative that the pace of Michigan's economic recovery be accelerated and that the existing concentrations of high unemployment be alleviated. Funds received under the extended Title I local public works program would make significant contributions to achieving these objectives in Michigan.

According to the Economic Development Administration, over 24,000 applications for about $24 billion were received for Title I assistance nationally. Some 2,000 project awards were made for the $2 billion authorized under the program.

Of the $2 billion in federal funds authorized under Title I, Michigan received $158.1 million to assist in financing 104 public works projects throughout the state. Although these funds are substantial, only a small portion of the demonstrated need has been met.

Michigan's state and local governments and other political subdivisions prepared and submitted to the Economic Development Administration almost 1,500 applications for Title I funds, while only 104 received funding approval. Of the total amount of Title I funds applied for in Michigan—some $1.9 billion—only 8.3 percent ($158.1 million was awarded. This means that just in Michigan, 1,400 project proposals went unfunded—involving some $1.8 billion. It is also interesting to note that Michigan state government submitted 62 Title I applications for nearly $91 million from 14 state agencies and state-supported colleges and universities. Of these state government applications, only four projects involving $9 million were selected for funding.

Based on a recent analysis by the National Governors Conference only seven states were named as actual recipients of grants with various state agencies in another seven states also awarded Title I funds. At least ten state governments with statewide unemployment rates in excess of seven percent did not receive any Title I funds. Title I funds to all state governments amounted to only $42 million, or two percent of total grants awarded. An unusually high percentage of school districts and water and sewer districts were Title I grant recipients at the expense of units of general purpose government.

The above information and figures highlight the fact that the demand and demonstrated need for Title I funds significantly exceeded the amount of funds made available both in Michigan and throughout the nation. The total Title I authorization could have been utilized in Michigan alone. This situation makes it almost imperative that the Title I program be extended with an increased level of federal funding.

Continuation and expansion of the Local Public Works Capital Development and Investment Program in Title I should be one of the top priority items for early and expeditious action during the First Session of the Ninety-fifth Congress.

During Title I deliberations in the Congress, consideration should also be given to making various refinements to the existing program. Items of special concern to Michigan include the following:

Local government projects should continue to receive priority. However, increased funds should be made available for state government projects in order to effectively address state-level needs. This could be accomplished through the establishment of a state set-aside percentage or amount for state government projects, particularly in the areas of higher education facilities, mental health facilities correctional facilities recreation projects and transportation related activities.

Special attention should be given to evaluating and making appropriate improvements in existing criteria and procedures for the interstate distribution of Title I funds, particularly the EDA project ranking, point system and the legislatively established 70-30 percent requirement. These criteria should be assessed to the extent that they have achieved an equitable geographic distribution of funds with the states and that funds were indeed distributed to those areas of most critical needs. State government should be given an increased opportunity to make formal contributions to Title I federal funding decisions before such decisions are finalized in order to ensure that state and local priorities and programs are taken into consideration, to the maximum possible extent. Such involvement by state government is essential for effective coordination between federal and state capital investment decisions.

Eligibility for Title I funds should be reexamined. More emphasis should be given to the general purpose government as the primary recipient of the funds. Such an emphasis is necessary if Title I funds are going to continue to be directed toward community and public facilities.

Title I application processes should be closely examined. The process of preparing applications should be simplified so that the financial costs and the paperwork burdens of state and local governments will be kept to a minimum. Some type of preapplication procedures should be established as a basis for screening out ineligible projects or projects which are obviously unfundable. Such procedures would assist EDA in simplifying and expediting federal review and action on Title I project applications.

The 100 percent federal funding provision should be kept intact. Consideration should be given to modifying the $5 million maximum for single projects (e.g., increase to $10 million for projects of significant state and/or local impact in meeting public facility needs).

Commonwealth of Massachusetts,
Office of Federal-State Relations,
Washington, D.C., February 4, 1977.

Senator Jennings Randolph,
Subcommittee on Economic Development,
Senate Environment and Public Works Committee,
Washington, D.C.

Dear Mr. Chairman: I regret that I was not able to testify at the Subcommittee's hearings this week on additional funds for the public works program. I appreciate your invitation to submit written testimony.

Enclosed is a copy of my remarks before the House Public Works Committee on behalf of the Coalition of Northeast Governors. I would like to submit this statement for the hearing record of your subcommittee.

In addition, I would like to comment on the proposal by Senator Stafford to include a Youth Community Act within the public works legislation. I would like to commend Senator Stafford for proposing a program to serve our nation's unemployed youth. Increased Federal efforts in this area are necessary; however, I do not favor the inclusion of such a program in the Public Works bill.

Setting up a new administrative structure to handle jobs for youth is unnecessary. Rather, the Comprehensive Employment and Training Act should be expanded to include a substantial, year-round employment program specifically geared to youth between the ages of 16 and 22. Incorporation of a youth program into CETA will allow local planning councils and State Manpower Services Councils to use the expertise they have developed to adapt youth programs to varying local situations. This will enable the individual resources of a state or locality to be utilized without creating any new federal mechanism for the administration of this program.

I hope these comments are useful to the Committee in its deliberations on S. 427. Again, thank you for your interest.

Sincerely,

Thomas P. O'Neill III,
Lieutenant Governor.

PREPARED STATEMENT OF LIEUTENANT GOVERNOR THOMAS P. O'NEILL III OF MASSACHUSETTS

The Coalition of Northeastern Governors enthusiastically supports the proposal for a four billion dollar Public Works Act.

The intent of the Act deserves not merely support, but praise—the Act creates jobs, provides urban centers with much-needed public works, and equally vital, directs aid to areas which need it most.

The Public Works Act is therefore a crucial ingredient to the economic renaissance of the Northeast.

Its current condition notwithstanding, the Northeast was once without question the powerhouse of the American economy.

The Northeast was the staging ground for the nation's transportation network—railroads, highways, seaways, and dams—which knitted America into a magnificent political and economic unit.

And as the nerve-center of the American financial system, the Northeast spawned industry, labor, and manufacturing not only in its region, but throughout the continental United States.

The Northeast was the heart of the nation, but changing economic, social and political circumstances have altered its one time predominance.

The purpose of the Coalition of Northeastern Governors is to revive the heart to the Northeast—not for dominance, but equity; not for self-advantage, but for a regional strength which will help the United States as a whole.

That is why we urge passage of the Public Works Act—to be a catalyst for economic recovery for our region, to be sure, but also for the nation.

Yet my remarks on this legislation are not entirely uncritical. For however faultless the Act's objectives, however decent and humane its purpose, it is always possible that an Act's concept can be altered by poor implementation.

It is therefore especially crucial at this critical juncture—when the House is in the process of expanding Public Works legislation—to recognize that the intent of Congress in the Local Public Works Act of 1976 was thwarted by the implementation of the Economic Development Administration.

When the Public Works Act of 1976 was passed, there was rejoice—especially in the Northeast. The bill was no panacea, to be sure, but simply a program designed to combat the recession, create jobs, and most important, a program which would help those areas in the Northeast most in need of public works assistance.

The Public Works Act of 1976 will create jobs, it will fight the recession—this much is obvious. Yet the Public Works Act of 1976 failed on one count, a count of critical importance to the Northeast; the allocation of project awards went to small towns and suburbs not to older, central cities—which need aid the most.

In my own state of Massachusetts, for example, cities like Fall River; New Bedford, Lowell, Lawrence, and Worchester—all central cities suffering from severe unemployment and physical decay—received no Public Works projects whatsoever. In their place, however, small towns and suburbs received the preponderance of project awards.

True, all localities—cities and suburbs alike—need public works assistance, but the listing of project awards in the last Public Works Act in no way reflected the true needs and priorities of the Northeast—and the nation.

In Connecticut, rich suburbs which house the headquarters of giant corporations received huge grants, but the aging city of Norwalk—which merely wants to hold on to its central business district—got nothing.

In Pennsylvania, New Jersey, and New York, prosperous suburbs and small affluent towns received generous aid, but the EDA rejected applications from Pittsburgh, Lowell, Bayonne—cities whose infrastructures cry out for renovation

In its selection of projects awards, I do not mean to imply that EDA did anything willfully wrong—far from it.

For anytime, a small agency must administer a huge program in a short time, it is a recipe for administrative confusion.

EDA is a bureaucracy which performed well under difficult circumstances, but whose procedures must be reviewed to ensure congressional intent to be met.

The Coalition of Northeast Governors supports the notion of mandated deadlines for quickly putting people back to work, but it does have some suggestions for reducing the administrative problems faced by EDA.

First of all, EDA operated the Public Works Act according to criteria not published in the Federal Register. In the criteria published in the Federal Register, EDA listed many things—labor intensity of projects, income levels and unemployment of the locality, and the project's worth—but its most important criteria was the number of unemployed workers in a locality. In this system, project awards would have gone to areas with great masses of jobless—Pittsburgh, Worchester, Lowell, and New Bedford.

Yet what EDA said it would do was different from what it did.

Instead of abiding by its own guidelines, EDA—without publishing it in the Federal Register—made a substantial change in the formula—the effect of which lessened the importance of the number of jobless in an area. Put briefly, EDA multiplied the number of jobless by a logarithm—thus reducing the competitiveness of highly populated central cities; and helping the suburbs which have no mass of unemployed.

Therefore, to insure that localities are fully aware of EDA's criteria for project eligibility, we seek full disclosure of all the EDA's operating procedures—a disclosure which should occur not only in congressional oversight hearings but through Federal Register—where the largest number of local officials can be informed and express comments on Federal guidelines.

Second, in its guidelines, EDA allowed a locality to submit unemployment and statistical data according to flexible boundaries—its SMSA, its town boundaries, its labor market area. It was therefore possible for a suburb adjacent to a depressed city to define itself according to its depressed neighbors' unemployment data—thereby distorting the true needs of the adjacent suburb, and further reducing the competitiveness of the central cities—but also causing EDA needless delay in confirming each locality's use of data.

Therefore, we propose that EDA's guidelines for the next Public Works extension only accept statistical data from the applicant's municipal boundary—a reform designed to reflect the true needs of each locality, and to reduce administrative red tape.

Third, recognizing the countercyclical intent of the Public Works legislation—to aid areas most in need—the coalition proposes that future Public Works legislation only direct aid to areas with unemployment rates at or above the national average.

In the Act of 1976, 70% of project awards legislatively mandated to go to the areas with jobless rates above the national average, and 30% was directed to go to areas with jobless rates between 6.5% and the national average.

This situation is a prime source of the criticism directed at the Public Works Act of 1976.

The competition for project awards in the 70% category reflected the national economic recession—it was intense, while competition in the 30% category was less so.

As a result, applications from many communities with jobless rates well over the national average were rejected, while their economically healthier neighbors—with unemployment rates below the national average—received project grants.

To some, this pattern of project awards was inequitable, but the only relevant issue today concerns the next Public Works Act. Therefore, the Coalition proposes that in the Public Works extension, project awards only go to those areas with unemployment rates above the national average.

The coalition's fourth point is not meant to advise, but to praise. We applaud Congress for its decision in the Public Works Act of 1976 to fund full local projects with federal money.

For those localities most in need of Public Works funds are often those who can least afford them. And by recognizing this fact of local finance, Congress has made a welcome decision—and a wise one.

Fifth, in reaffirming its support for the Public Works Act, the Coalition also seeks to increase the number of projects allocated to state government.

State government projects should be not be penalized—just because they are state projects.

We do not seek to lessen the number of awards to localities, but merely to increase the recognition that state government projects often well-fulfill the objectives of the Public Works Act—to create employment in depressed areas through projects which contribute long-term economic benefits.

Sixth, the median income factor played a large in scoring of projects. In Massachusetts, as in all of the northeastern states, this use of a median tends to obscure actual pockets of dire poverty. The use of this factor appears to have contributed to the failure of many urban project applications to achieve funding. It is unfair to penalize entire municipalities with generally high unemployment because those municipalities have some remaining areas of affluence. The use of this factor was particularly damaging to state projects, all of which were assigned the statewide median income level, regardless of the project's location, and in apparent violation of EDA's own regulations and guidelines. I would like to remind the committee that the authorizing legislation made no mention that median income would be a criterion for judging the project applications.

The last set of criticisms are not solely related to Public Works legislation, but involve all federal programs.

I speak of data and statistics.

Disraeli once said: "There are three kinds of lies—lies, damned lies, and statistics."

Disraeli realized that there are limits to man's ability to quantify human problems. Yet to the extent that it is possible to reduce errors in gathering data, the federal government should commit extensive resources, both in time and money.

For even if statistics are not always perfectly accurate, they do affect the amount of federal funds coming into states and localities.

Our present methods for measuring employment and unemployment are faulty. Consequently, the CONEG states have lost federal funds due to an underreporting of their unemployment rates.

The problem lies in the use of two methods for determining unemployment rates. First, the states estimate their unemployment each month using the BLS seventy-step method, a method based on unemployment claims and estimated new entrants to the labor force.

Once each year, the BLS revises the preliminary unemployment rates based on the second method, the Current Population Survey data gathered during household surveys conducted and tabulated during the past year. The two methodologies—the CPS and the 70-step—yield different figures on state unemployment rates. As a result, when state unemployment rates are being revised in mid-March some states, including six CONEG states, will see their unemployment rates rise for the past year, while the rates for other states will fall.

This problem is currently under study by the National Commission on Employment and Unemployment Statistics and their recommendations will be made some eighteen months from now. But we cannot wait a year and a half for a solution. Therefore, CONEG proposes two interim steps to help minimize the discrepancy between preliminary state estimates and revised BLS unemployment rates.

First, BLS should expand the size of the Current Population Survey sample and expand the variety of households included in the monthly surveys.

Second, state unemployment rates should be benchmarked quarterly to the CPS instead of annually—a reform which will reduce the impact of seasonal fluctuations of jobless rates.

While we look forward to the development of methodology that gives us accurate and timely unemployment data, these interim steps will help to direct public works and countercyclical funds to the areas where the need is the greatest rather than where the data might lead us to believe so.

To further insure that those areas in greatest need receive priority consideration in the allocation of public works projects, two factors should be added to the allocation formula—the duration of unemployment and the monthly expansion of employment in a state. Unemployment figures alone do not give a true picture of each state's economy. The dynamics of the economy are important indicators of need and these dynamics, measured by the average length of unemployment and the numbers of workers finding jobs in a state will allow the Congress to pinpoint an economic stimulus where it is most needed and will do the most good.

But statistics, regulations, and administration are only part of the effort to the Coalition's call for regional economic resurgance.

For the Coalition of Northeastern Governors' criticisms of the last Public Works Act are not meant to defeat another jobs bill, but to reform the next one.

Unless the Act is administered according to Congressional intent, the result will be an allocation of project awards based not on need, but on a irrational process which distorts true need.

For the intent of the Public Works Act is in the mainstream of American political reform: to aid not the prosperous, but those who are needy—be it a depressed region, a poverty-stricken city, a moribund neighborhood, or a jobless individual.

The Public Works Act has the opportunity to aid not only the Northeast, but every region where the jobless exist in urban centers.

And that is why the Coalition of Northeastern Governors not only supports, but enthusiastically endorses the Public Works Act extension.

PREPARED STATEMENT OF THOMAS PETER BENNETT, PRESIDENT, AND RUTH PATRICK, HONORARY CHAIRMAN OF THE BOARD, FOR THE ACADEMY OF NATURAL SCIENCES OF PHILADELPHIA

This testimony is aimed at correcting what we believe to have been deficiences in the law and regulations of the Local Public Works Capital Development and Investment Act of 1976. Such deficiencies caused approval of applications and distribution of funds in a manner which contravened the essential intent of the legislation, namely to provide "employment opportunities in areas of high unemployment through the expeditions construction or renovation of useful public facilities; and a countercyclical stimulus to the national economy."

OBSERVATIONS

1. Certain directives issued within the EDA, but not generally available to applicants, had the effect of giving scoring advantages to small jurisdictions. These involved the relationship of the number of unemployed to the rate of unemployment and the population of the jurisdiction.

2. School Boards were awarded five bonus points in scoring thus denying priority status to other units of local government.

3. Small suburban jurisdictions were permitted to use the entire urban area's total number of unemployed as a basis for their applications. These worked to obscure true need.

4. In amending regulations, EDA included per capita income as a determinant of the Applicant's total score. This gave undue weight to rural areas of low per capita income.

The factors cited above as well as others resulted in a truly astonishing distribution of monies, considering the intent of the Act.

PROPOSALS

To assure that future programs do not result in such inequities, we submit certain proposals for the consideration of the Committee. Legislation and regulations for the Public Works Program you are now considering should:

1. Assign first priority to applications already submitted but not approved under the Public Works Act of 1976. Applicants should have an opportunity to amend and conform existing applications to whatever new regulations might be published.

2. Priority consideration should be given to core areas of unemployment. The focus should be on the specific jursidiction where high unemployment exists, while those suburban jurisdictions clustering around a metropolitan area should be separately judged on their own rate of unemployment.

3. The stated "average number unemployed" should not exceed the employable population of the applicant jurisdiction.

4. Guidelines, regulations, project selection and ranking factors should be explicit and publicly stated in a timely fashion. If "bonus points" are to be a determinant, that should be made explicit.

5. The project's effect not only in reducing unemployment but in generating long-term employment in non-construction jobs should be a key ranking factor.

6. The long-term value of the project, not only in its home jurisdiction but for the state and nation, should have weight with bonus points assigned to established cultural institutions providing long-term community benefits. Transitory projects of little lasting impact should have low ranking.

7. The legislation and regulations should provide for as generous an appropriation of funds as is consistent with national priorities. Such an allocation will have optimum impact if released as soon as possible through the funding of projects which are in every way ready to go forward. Such projects are available among the many applications on file but not approved under the Public Works Act of 1976.

8. We believe the Congress can best serve the economic good of the Nation by enacting the new Public Works Program with as little delay as prudence and good management would dictate.

APPENDIX

In conjunction with our testimony before the Senate Public Works Committee we wish to submit supplementary information about the Academy of Natural Sciences of Philadelphia—its history, plans for the future, and the specific project for which we seek Public Works funding.

THE ACADEMY OF NATURAL SCIENCES OF PHILADELPHIA

The Academy of Natural Sciences at 19th Street and Benjamin Franklin Parkway is one of the most prestigious scientific institutions in the United States and ranks among the top ten natural science museums in the world. Since its funding in 1812, it has continued to serve the citizens of Philadelphia, the Commonwealth of Pennsylvania and the international community. It was the major birthplace of natural science in the United States, and within its halls the American Medical Association and the American Association for the Advancement of Science came into being.

During the last year, through its education program the Academy has provided learning experiences for some 300,000 children. Its programs have emphasized to urban and suburban children the principles of ecology, conservation and the recycling of natural resources. Particular emphasis has been placed upon the urban/suburban ecosystems. In addition, adult education programs have served tens of thousands.

Since their beginnings in 1812, our scientific departments have helped to solve important local and national problems. The first Geological Surveys of the Commonwealth were done by our Geology Department. The Entomology Department, Botany Department and Fish Department have worked closely with the Philadelphia Poison Control Center, identifying possible hazards to the citizens of the City. The Botany Department has worked with Philadelphia's narcotic agents in the identification of marijuana and Peyote.

The Division of Limnology and Ecology since the early 1950's has continually worked with the City Water Supply and Sewage Departments instructing them concerning organisms that produce taste and odors. On occasions when Philadelphia water supplies have been endangered by poisons introduced into the Delaware River, Limnology personnel have worked all night to test the water and make certain that it was free of poison or any possible deleterious effects to the citizenry. Limnology personnel also made biological examinations of water samples from the Bellevue-Stratford Hotel in attempting to determine causes of the Legionaires' Disease.

The Academy Library has been an ever-ready source of information to researchers from all over the country. It is the most extensive natural science public library available within the City to Philadelphians and one of the great natural science libraries in the world.

Buildings of the Academy of Natural Sciences have over the years been built by the State of Pennsylvania. The portion of the building that fronts on The Parkway (more specifically, on Race Street) was built in 1876. Other portions of the building then added, the last addition being in 1911. Since this period of time very little has been done. No modernization has been done although an effort has been made at maintenance. Due to the expansion of activities and greater use of the Academy by the public it becomes increasingly important that we modernize the building and improve its safety factors for increased public use.

The importance of this has been brought to public attention through legislation in regard to exits, fire safety, and various other things that must be done to modernize this building. Since the Academy is the most important biological science institution in the area, it is essential that it be maintained in good condition and modernized so that it can better serve the public through its educational, exhibition and research programs.

Important projects include the following:

A. Rehabilitation of the existing heating system to provide zoned control, efficiency of operation and conservation of energy. Analysis of alternative fuels.

B. Installation of air conditioning throughout public museums and science research areas.

C. Rehabilitation of existing electrical services to provide greater safety, more economical operation and improved environmental conditions.

D. Rehabilitation of interior spaces and finish surfaces.

E. Construction of two new enclosed stairways to provide adequate means of egress in an emergency.

F. New public passenger elevator, new public toilets, and new ramped entrance to provide adequate facilities for the physically handicapped.

G. Rehabilitation of Exterior wall surface—replacement of wood windows with metal sash and insulating glass.

The objectives of this project are to provide a facility which has been modernized to allow conduct of research in disciplines identified with conservation of natural sciences.

The Academy of Natural Sciences of Philadelphia must be prepared to respond to research frontiers opened by technological advances and mandated by environmental legislation. The Toxic Substances Control Act of 1976, for example, will require the identification of the toxicity of all new products developed by industry and the federal government, and the accumulation of potential toxicants in plant and animal species.

Similarly, the Clean Drinking Water Act mandates research on the fate of trace organics in water supplies.

Highly refined chemical analytical methods, including gas chromatography and mass spectrometry, are necessary to determine the presence of these toxic compounds.

The Academy must house these sophisticated instruments in humidity controlled air conditioned facilities in order to contribute significantly to the solution of environmental problems.

Without the support requested in this application the Academy will not be able to respond adequately to requirements for service in the environmental field.

In addition to its research programs, the Academy conducts an educational program.

Some 200,000 school children from the Delaware Valley area visit the Academy's Natural Science Museum in class groups each year. Teacher/Naturalists from the Academy's staff meet with these groups to present lessons in conservation and natural history.

Twice each day lecture-demonstrations (Eco-Shows) are presented in the auditorium, conveying important ecological lessons to groups numbering in the hundreds. A film series on natural science topics is presented free to the public during the period September through April. Special classes on Saturdays during the school years, and week-long classes during the Summer deal with nature topics.

By special arrangement doctoral and post-doctoral students work in Academy research laboratories to complete degree requirements and pursue research interests.

A continuing informal education program for all interested individuals is conducted through the permanent and changing exhibits in the Museum.

The impact of this project is substantial. It is expected that the following impact of construction of this project on unemployment in the project area will be as follows:

The rehabilitation and construction activities at the Academy of Natural Sciences will involve most of the contract construction trades in on-site labor.

The employment of 62 members of these trades will act to reduce the number of unemployed in each trade, the overall unemployment rate for the construction trades is, at the present time, approximately 41%.

Job or job skills:	*Total projected number of employees*
Skilled labor	41
Unskilled labor	15
Other	6
Total	62

This project will be a cooperative venture between the public and private sectors in an attempt to stimulate employment and development in the depressed area of Philadelphia.

The substantial and continuing interest of the City of Philadelphia in the activities of the Academy of Natural Sciences of Philadelphia is summarized in the following excerpt from a letter sent by Philadelphia Managing Director Hillel Levinson to the EDA Regional Office in Philadelphia.

The excerpt follows:

1. *Title.* The Academy of Natural Sciences of Philadelphia was chartered by special act of the Pennsylvania Legislature as a non-profit corporation in 1817. The present facility located at 19th Street and The Parkway was constructed in 1869. The entire facility is presently owned by the original non-profit corporation. In recognition of the City of Philadelphia's substantial and continuing interest in the programs and facilities of the Academy, which have been supported by the City financially, the Academy will lease to the City for a term of 25 years a portion of its main building, as such portion is shown on Exhibit II–B–3 attached hereto, and the Academy will sub-lease the facility for an equivalent term of years.

To implement the foregoing arrangements, which have been approved by the City Administration, the City Solicitor and the governing board of the Academy, the approval of City Council must also be obtained. The necessary ordinance has been drafted and will be introduced immediately. It is anticipated that the ordinance will be passed and approved by the Mayor within a period of thirty days.

2. *City's Economic Interest.* The City of Philadelphia has had and will maintain a continuing significant economic interest in the project. The Academy of Natural Sciences is one of the City's major cultural and scientific institutions. Not only does the Academy house one of the City's primary museums specializing in the natural sciences, but the Academy is also an important research and development facility dealing with the natural sciences and, in particular, pollution biology. Over the past several years the City has relied extensively on the Academy's facilities and services, especially in the area of pollution monitoring and control.

During the past five years, the City has made grants to the Academy totaling $400,000.00, and the Academy has received direct support from the School District for the Academy's teaching program.

Because of the Academy's location on The Parkway, which is the principal avenue of entrance to the City and which is subject to strict City controls and concerns, the City has a strong interest in the appearance, maintenance, and repair of the facilities owned by the Academy. The lease-sub-lease arrangements, by determination of the City's Law Department will permit the City to make a direct capital grant to the Academy to renovate the facade of the structure along The Parkway.

Adams Associates,
Architects,
Deer Isle, Maine, December 29, 1976.

Senator William Hathaway,
Senate Office Building,
Washington, D.C.

Dear Senator Hathaway: From everything I hear and read, the new government is considering several ways to stimulate the economy. I am writing to strongly urge you to actively support new funding for the billions of dollars of worthy projects already submitted and evaluated by EDA.

My architectural firm has prepared sixteen projects, one of which was funded on the first go around. I can personally attest to the enormous effort that we expended to prepare these projects, and I am sure that thousands of architectural and engineering firms have invested similarly.

My experience with all of these projects is that they are worthy; in many cases such EDA "special" funding may be the only available source of funding for some years to come.

Finally, all of these projects are valid because they will put people back to work, and help get our economy moving in a meaningful way.

Sincerely,

Robert W. Adams.

CITY OF ALBUQUERQUE,
Albuquerque, N. Mex., January 28, 1977.

Senator QUENTIN N. BURDICK,
Acting Chairman, Economic Development Subcommittee, Public Works Committee, U.S. Senate, Washington, D.C.

DEAR SENATOR BURDICK: The City of Albuquerque, New Mexico, would like to be on record regarding the expectations and the actual distribution of funds under Title I of the Public Works and Employment Act of 1976. Our basic feeling is that the Congressional intent was side-tracked by administrative action. The Economic Development Administration (EDA) of the U.S. Department of Commerce published guidelines and regulations that were either ignored, misapplied, or selectively applied resulting in confusion and disappointment. At this point, Congress could best help by legislative action to insure the use of data reflecting the severity of unemployment (emphasizing both numbers and rates as well as pockets of high numbers of unemployed persons); a special set-aside for Indian tribes; and a less bulky, more relevant application package. This letter will explain our experience in these areas with the aim and hope of supporting legislative remedies to avoid similar problems in the future.

As participants in Title X Program which is the immediate predecessor to the subject Title I, we found that EDA tended to fund rural areas in preference to urbanized areas. Under Title X, EDA used the "reasoning" that Congress intended the funds for those areas with high levels of unemployment. We agreed with this until we found that the sole indicator of unemployment used by EDA was the unemployment rate, regardless of the actual base numbers. Therefore, in practice, small localities with large rates and small numbers were the priority areas for funding under Title X. Congress recognized this problem and learned from this bad experience. The new Title I of the Public Works and Employment Act (PWEA) of 1976 contains clear Congressional language mandating the consideration of the "severity and duration of unemployment," "income levels and extent of underemployment," and "the extent to which proposed projects will contribute to the reduction of unemployment." (PWEA—Sec. 107)

These Congressional requirements were translated into the now well-known criteria which placed important emphasis on the "number of unemployed workers in the project area" (30%). This was a welcome addition to the former reliance on a single indicator—the unemployment rate (without regard to basic differences in magnitude). The unemployment rate, for the record, was also used in the criteria with a weight of 25%. Southwestern cities like Albuquerque and Phoenix saw a new hope of equitable distribution of funds to the areas of high unemployment—Albuquerque has 40.2% about 12,000, of the unemployed persons officially reported for the State of New Mexico (November 1976); Phoenix (in the second quarter of 1976) showed 56% or about 38,000 of Arizona's unemployed population.

The City of Albuquerque received one grant for about $780,000, and the City of Phoenix received NO funds. Non-City grants in or near Albuquerque brought our total up to about $2.2 million or about 22% of the State's total for about 40% of the State's unemployed population; this is not true in the Phoenix area, however, where 0% of the funds went to 56% of the unemployed.

Our problem in the Southwest is compounded by the fact that there is no set-aside for Indian tribes who are able to show very high unemployment rates, which, *in spite of the Congressional intent and the published criteria*, carried more weight than they should. This is due to the fact that EDA, in a non-public move, translated both the numbers and the rates for measuring the unemployed to *logarithms* which exponents of numbers and not the numbers themselves. The logarithmic transformations, in effect, reduced the important of the number of unemployed and increased (relatively) the importance of the unemployment *rates*. This puts us back to square one in the game used for distributing funds under the Title X predecessor, with the important distinction that $2 billion rather than $500 million are now at stake. In the Southwest, therefore, we are forced to compete with the Indian tribes, whose need is great and whose *rates* of unemployment are greater and *un*official. We, in the cities, are tied to official rates and a diminished target population due to the logarithmic transformations. In the combined States of New Mexico, Arizona, Montana, North Dakota, Utah, and Wyoming, Indian allocations of the 70% money total $32.5 million; non-Indian grants total $19.2 million or about 38% of the total 70% pot.

In addition to the much needed clarification and consistency which was obviously lacking in the above-described problems, we in Albuquerque feel that the application requirements were excessive.

Detailed engineering reports were submitted and carried no weight in the project selection process which is directly tied to our "score" on the above-mentioned criteria. The engineering report was simply a "check-off" item used to determined our eligibility to participate in the computer ranking.

Thank you for your kind attention to these concerns. I expect no detailed response to my comments, but I look forward to new legislative direction that will resolve these basic inequities. I look forward to working with our national government in alleviating our national unemployment problems while building a permanent legacy of public structures much needed in the Southwest.

Sincerely yours,

HARRY E. KINNEY,
Mayor, City of Albuquerque.

AMERICAN ASSOCIATION OF STATE HIGHWAY
AND TRANSPORTATION OFFICIALS,
Washington, D.C., January 31, 1977.

Hon. QUENTIN BURDICK,
Chairman, Subcommittee on Economic Development, Dirksen Senate Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: State highway and transportation officials continue to be interested in the use of additional funding for a public works job program for highway and other transportation projects.

They are most disappointed, however, over their experience with the Local Public Works Capital Development and Investment Act of 1976. Several state highway and transportation departments invested considerable effort in the development of projects for which applications were submitted, but in almost all cases denied. Many States were also disappointed over the fact that such a relatively small amount of funding went to supplementary grants, which could have provided the local matching share for Federal-aid projects which otherwise could not proceed.

State and local highway projects could provide significant employment opportunities under an expansion of a Public Works Employment Program. States have many projects for which the site has been obtained and plans have been completed, or could be quickly completed, so that the construction can start within 90 days of approval. There is a large backlog of projects for which applications were denied previously by EDA.

The Public Works Committee has expressed concern over the slow rate at which the new urban systems projects are being implemented. Insufficient local matching funds have been cited as part of the reason in Nebraska, New York, Michigan, Missouri, Oregon, and Vermont. By making matching funds available through the Public Works Capital Development program, leverage of 2½ times could be achieved and at the same time these other programs put back on schedule.

Seven States (Delaware, Kansas, Maine, New Jersey, Pennsylvania, Rhode Island, and South Carolina) have reported similar difficulties in having enough state matching funds.

A survey just completed in the office indicates that if local and state matching problems are overcome, the states can obligate over $900 million in federal urban funds during the coming year, and $450 million in secondary road projects. In addition, the states can be expected to have $1.275 million in primary system (both urban and rural) projects ready to let. All of the above at the 70/30 matching ratio if matching problems can be alleviated in the states mentioned above. The states further could let over $450 million in safety projects.

Without matching funds the responses indicated that expenditures in the following categories might be reduced by the following amounts: urban: $91.14 million, primary $57.78 million, secondary $28.74 million, and safety $25.13 million.

Highway construction is also well suited for providing jobs to unemployed construction workers who are having the most difficulties. Highway construction employs a lesser proportion of skilled workers for whom unemployment problems are not now as severe as for other non-skilled construction workers.

The national unemployment rate for laborers now exceeds 20%, and in some urban areas 60%.

The Member Departments of AASHTO have reported very unfavorable experiences with the $2 billion obligated for public works employment in 1976. Many of the departments submitted several applications, but very few were granted. The treatment of State application contrasted markedly with the experience of local units of government, which received many grants for highway and street projects. California reported that it diverted attention from high priority projects, which were scheduled for funding from regular Federal-aid highway funds, to develop highway projects which would not otherwise be funded this year, only to have but two applications approved. Washington reported that over a thousand man-hours were devoted to projects, none of which was approved. Ohio reported only one of fourteen applications was granted, even though they had developed projects which would result in $50 million of work, if Federal funding of only $15.5 million were made available. Oregon reported that a disproportionate amount of funding went to sparsely populated areas with a high rate of unemployment, rather than to cities, such as Portland, were the unemployment rate was lower, but the number of unemployed individuals was much greater. New York expressed dissatisfaction over the small number of approved projects for matching funds for Federal-aid projects for which localities were having difficulties. Connecticut, Vermont, and Maine also voiced disappointment over the disapproval of applications and supplementary grants to provide local matching funds for projects which otherwise could not proceed.

In response to a survey we conducted, States have reported that they could provide considerable additional projects, if additional funds were provided.

States may not be able to obtain much of the money, however, unless the existing priority for local units of government is deleted or revised. Such a deletion would be consistent with the goals of maximizing employment opportunities because States have a much higher capability of getting work under way and getting people employed.

To assure that State projects were not discriminated against, it would appear desirable to amend Section 108(b) of the Local Public Works Capital Development and Investment Act of 1975, which now directs the Secretary to give preference to projects of local governments. It may also be necessary to revise the criteria of EDA for priority to assure against discrimination against projects submitted by State governments.

We also believe that appropriate steps should be taken to assure that more funding goes to supplementary grants to provide the local matching share for projects which otherwise would not proceed. Among other things, expenditure of funds for these purposes would have more leverage in stimulating total expenditures.

We anticipate that there will be extraordinary winter damage to much of the highway system as a result of the deep freezes and subsequent thaws throughout much of the United States. Permitting repairs to be made to these systems as part of a jobs bill would let people be put to work, mitigate further damage to the highway system and protect the investment of billions of dollars that have been spent to construct that system.

We appreciate this opportunity to express our views and hope you will call upon us if we may provide additional information which will be of use to you.

Sincerely,

ROBERT HUNTER,
President.

STATEMENT OF THE AMERICAN CONSULTING ENGINEERS COUNCIL

Mr. Chairman and members of the committee: The American Consulting Engineers Council appreciates the opportunity to submit this statement regarding H.R. 11 and companion measures to extend the Public Works Employment Act of 1976.

ACEC is a professional association representing over 3,000 consulting engineering firms in private practice. Many of these firms provide services to city, county and state governments in the development of plans and specifications for public works and capital development projects.

Title I of P.L. 94-369, the Local Public Works and Capitol Development Investment Act of 1976 was not supported by ACEC when it became law. The profession's past experience with quick public works legislation of this kind produced projects which had short range effects and not long range capital and economic development.

However, ACEC did receive inquiries from member firms in areas of high unemployment and firms working with small and medium size jurisdictions to monitor P.L. 94–369 through the appropriations process and assist in the development of guidelines and regulations for the program.

To date, certain administrative problems have arisen with the Local Public Works program from an engineering standpoint that must be brought to the committee's attention.

Section 316.10(9)e directs that "project cost for administration, plans, specifications, estimates and other A–E costs which have been incurred prior to the date of an application will not be funded."

ACEC recognizes the impropriety of EDA reimbursing communities for money spent years earlier for preparation of plans and specifications on projects that did not proceed further due to lack of funds.

However, this regulation also applies to potential grantees who lack even the barest of resources to finance the initial work required of an architect-engineer firm to develop information and feasibility data necessary to support an application for a public works grant. This policy assures that the "have nots" maintain their status and is contrary to the intent of P.L. 94–369.

Some communities may find engineers and architects willing to undertake the initial work necessary to prepare an application with no assurance of ever being paid for such an effort. In most instances, however, an Indian tribe or ghetto area with high unemployment that has been trying for years to finance the cost of street lighting or wastewater treament can not even accomplish the first step of preparing an application due to lack of expertise and funds.

The National Park and Recreation Association testified that the "stipulation" that fully developed plans, especially A and E documents, be completed concurrently with the project application has caused unnecessary "front end" expense to local governments. This requirement according to NPRA worked particularly to the disadvantage of many public park and recreation systems, which do not normally have "complete" in-house architecture and engineering capabilities and rely on other public agencies, especially general engineering units as private firms to perform these functions. Clearly these must be adequate pre-approval "A and E" work to determine cost estimates and other project information.

It appears from the magnitude of response to the first round of LPW projects 25,000 applications totalling $24 billion that a need exists in communities for capital development projects but it is important that highest consideration be given to quality projects with long term economic development gains to the community.

In an effort to improve the LPW program ACEC recommends:

(1) Modifying Section 316.10(9)e of the regulations to make it applicable only to Architect-Engineer costs incurred by the perspective grantee prior to enactment of P.L. 94–369 and only on projects which meet certain pre-application criteria which indicates there is a strong likelihood that preparation of the necessary back up for an application will, in fact, result in the award of a grant.

(2) Consulting engineers are alarmed by the provisions in the EDA regulations and guidelines which require that all grantees and all projects be in compliance with twenty-three different Acts, OMB Circulars, Federal Policies on executive orders. EDA's over-emphasis upon the necessity for complying with these very complex procedures and practices will delay implementation of this program. ACEC recommends waiving some of these requirements to speed up the program.

(3) An Oversight Hearing on EDA's draft regulations to comply with any new legislative changes by Congress.

(4) Emphasis on projects which conserve energy as part of the project selection procedure and energy related projects for funding.

(5) Establish an Ad Hoc Review Group made up of groups involved with the delivery of the LPW program to be advised of any changes in program guidelines, regulations or issuance of any reporting forms by EDA which may affect implementation of the program.

(6) Local government discretion in prioritizing projects.

AMERICAN COUNCIL ON EDUCATION,
Washington, D.C., February 1, 1977.

Hon. QUENTIN N. BURDICK,
Acting Chairman, Subcommittee on Economic Development, Committee on Public Works, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: The American Council on Education strongly supports the February 2 statement of the National Association of Independent Colleges and Universities to the Subcommittee on Economic Development, concerning S 427, to amend the Local Public Works Capital Development and Investment Act.

On behalf of the entire higher education community, we urge that the bill redefine "local public works projects" to include facilities at nonprofit institutions of higher education, and other nonprofit organizations or institutions engaged in public service, in areas of high unemployment.

We believe that such an amendment would be consistent with the intent of the authorizing legislation (PL 94-369) to assist states and local communities to provide work for the unemployed, by building or renovating public facilities which would benefit all citizens in the community. Many independent institutions of higher education and other nonprofit public service organizations are located in areas of high unemployment. Making facilities at these institutions eligible for funding would expand the range of eligible projects in such areas, while achieving an important additional national objective by encouraging the institutions to renovate buildings to make them more energy-efficient, improve safety for students and employees, and improve access for the handicapped.

We do not believe that Congress intended to make construction projects at state colleges and universities eligible under the law, while denying eligibility to independent colleges and universities. These institutions provide the same public services as state institutions, and are equally eligible for federal funds under the higher education statutes. To retain the inadvertent distinction in PL 94-369 would create a serious and unprecedented inequity in the federal treatment of the nation's colleges and universities.

We also urge that the legislation direct the Department of Commerce to receive new applications for grants, so that newly eligible institutions will have the opportunity to compete for funds. Unless it is possible to submit new applications, any amendment making independent institutions eligible would of course be meaningless.

This statement is made on behalf of the American Association of Community and Junior Colleges, the American Association of State Colleges and Universities, the American Council on Education, the Association of American Universities, the Association of Jesuit Colleges and Universities, the National Association of State Universities and Land-Grant Colleges and the National Catholic Educational Association's College and University Department.

Sincerely,

CHARLES B. SAUNDERS, Jr.,
Director of Governmental Relations.

AMERICAN FEDERATION OF STATE,
COUNTY AND MUNICIPAL EMPLOYEES,
Washington, D.C., February 5, 1977.

Hon. QUENTIN BURDICK,
Chairman, Senate Subcommittee on Economic Development, Dirksen Building, Washington, D.C.

DEAR CHAIRMAN BURDICK: On behalf of the 750,000 members of the American Federation of State, County and Municipal Employees (AFSCME), I would like to commend you and your colleagues for moving quickly to consider S. 427, the Public Works Employment Act of 1977.

AFSCME strongly supports Title I of S. 427, which would extend and expand the accelerated public works program enacted into law last fall. As a measure which provides jobs in the construction industry and funds for capital improvements delayed because of shrinking state and local government revenues, the public works program is an important compliment to countercyclical assistance for state and local governments suffering from inadequate operating revenues due to the recession and public service jobs designed primarily for unemployed persons who can't find work in the private sector. These three programs, operating together, constitute a sensible and necessary economic stimulus program to reduce unemployment and get the American economy moving again.

After years of trying to convince an antagonistic Administration of the desirability of such an economic stimulus package and of fighting vetoes of programs such as the accelerated public works program, it is encouraging to see agreement between the Congress and new Administration on the need for a larger stimulus. We believe, however, that the authorization levels in Title I are too low and that the matching requirement proposed in S. 427 for the second year of the program should be eliminated.

There is ample need for additional public works funds to hire the unemployed. There are well over 7.6 million unemployed workers, and unemployment in the construction industry averages about 14 percent. The present severe cold weather and resulting energy shortage will undoubtedly push these figures higher and depress the economic growht rate. At the same time, badly needed public construction and maintenance projects have been postponed because of increasing fiscal pressures on state and local goverments. According to Commerce Department figures, real state and local government expenditures for construction declined by 30 percent between 1967 and 1976. The resulting backlog of projects was amply demonstrated by the overwhelming response to the present program. Despite the law's rigid timetable to assure speedy implementation, the Economic Development Administration received some 25,000 project applications totaling about $24 billion for last fall's $2 billion program.

Additional projects could be activated relatively quickly. No time would have to be spent writing regulations, and thousands of project applications already have been sent to EDA. All they need is approval. In addition, projects such as repairing streets and bridges damaged by the severe winter weather could be started up very quickly this spring and would be highly labor intensive. However, if a substantial amount of such work, which is the same as that performed by regular state and local government workers, is funded, strong maintenance of effort requirements and public sector labor standards, such as those under the CETA program, should apply. AFSCME has had extensive and difficult problems with the CETA program. It would be unfortunate if the same kind of problems developed under this program.

AFSCME believes that the proposed matching requirement will inhibit the creation of jobs and public works projects in areas of greatest need, and therefore should be rejected by the committee. This is true especially in the case of the nation's central cities where there are high concentrations of unemployed people, and old plant facilities. Many of these cities have had to lay off public employees or reduce their workforce through attrition because of increasingly tight fiscal conditions that have been caused in part by the recession and will be exacerbated by the cold winter weather. The only way some of these cities might be able to come up with the local match would be to lay off public employees or raise taxes thereby counteracting in part the stimulative effect of increased federal spending.

Finally, AFSCME strongly urges the committee to confine its efforts to the public works program under Title I. While the sponsors of the Title II Community Improvement Youth Employment Program should be commended for their concern about the very serious problems of youth unemeployment, AFSCME believes that the special manpower development problems of young people fall more appropriately under the jurisdiction of the Senate Labor and Public Welfare Committee, and that the Title II program presents only one small, although very worthwhile, response to youth unemployment.

There are many issues that need to be carefully considered in connection with a youth employment program. For example, Title III of CETA presently authorizes a wide variety of activities (including activities similar to those under Title II of S. 427) and contains a federal grant approval process which has some similarities to that under Title II of S. 427. Therefore, Title III may be an appropriate delivery mechanism. A truly comprehensive approach to youth unemployment must contain a complex mix of education, skill training, job counseling and job placement in a wide variety of employment opportunities. If jobs for young people are created under a federal program in state and local governments and the work is similar to that performed by regular public employees (as in the case of Title II), then strong labor protections and maintenance of effort requirements must be legislated and administered by the Department of Labor which has had considerable experience with these issues under the CETA public jobs program. Otherwise, such a youth program will undermine the regular public workforce and public sector labor standards and collective bargaining processes. Labor Secretary Marshall has committed himself to seeking programs designed to deal with youth unemployment problems. We urge the Congress to give him a chance by working with him in developing a comprehensive and rational program rather than moving ahead on isolated programs that address only one small aspect of youth unemployment.

In summary, Mr. Chairman, AFSCME urges the Committee to move expeditiously to report Title I of S. 427 to the floor with the changes we have recommended so that we can begin to turn the economy around and provide jobs for all who want them.

Sincerely,

WILLIAM B. WELSH,
Executive Director for
Government Affairs.

THE AMERICAN INSTITUTE OF ARCHITECTS,
Washington, D.C., February 4, 1977.

Hon. QUENTIN BURDICK,
U.S. Senate,
Washington, D.C.

DEAR SENATOR BURDICK: As the Public Works Committee meets to mark up legislation extending the Local Public Works Capital Development and Investment Act, I wish to bring to your attention several recommendations of the American Institute of Architects.

The AIA, the national society for the architectural profession, supports the continuation of the local public works program. At the same time, we strongly urge that several revisions be made to the program which would allow this program to help solve the nation's energy crisis:

(a) Applicants for fiscal 1977 funds should be permitted to submit statements of intent to redesign their proposed projects where energy savings are possible (modification of plans for this purpose should be a reimbursable expense within the total amount of the grant);

(b) Extra points in the EDA ranking formula should be given for such energy conservation efforts;

(c) Grants approved for rehabilitation and improvement of existing public facilities should include a priority for energy conscious redesign and retrofitting;

(d) In fiscal 1978, local governments should be required to certify that projects for which they seek funding will be redesigned for energy efficiency;

(e) Extra points in the ranking formula should be given to any project whose completion will reduce a community's overall energy consumption; and

(f) The desirability of energy conservation rehabilitation and retrofitting rather than the construction of new facilities should be stressed in fiscal 1978.

The addition of these provisions would coordinate national economic and energy conservation policies. It would lead to increased employment, decreased energy consumption, and a reduction in local government operating expenses. We strongly recommend that these changes be incorporated in the Local Public Works Capital Development and Investment Act.

Sincerely,

JOHN M. MCGINTY, *FAIA.*

THE NEED FOR ENERGY CONSERVATION IN THE LOCAL PUBLIC WORKS PROGRAM

Extension of the accelerated local public works program presents a unique opportunity to fashion a coordinated response to several pressing national problems. Hardship and suffering have resulted from the severe winter weather. Fuel shortages have led to the closing of factories, schools, office buildings, and public facilities. The resulting unemployment has aggravated the economic situation and may make it more difficult to achieve a return to a healthy economy. *By amending the local public works program, Congress can stimulate employment and contribute to increased energy conservation in the built environment.*

In 1970 the total U.S. energy consumption of gas, coal, and oil amounted to the equivalent of almost 32.5 million barrels of oil a day. Based on present trends, it is estimated that consumption will be more than doubled by 1980. The built environment, which consumes at least one-third of this energy, represents a largely untapped source of conservation potential.

The Economic Development Administration has already received more than enough applications to account for the additional $2 billion proposed for the public works program in fiscal 1977. These projects in many cases were designed several years ago and may not reflect the need for increased energy efficiency.

Therefore, the American Institute of Architects recommends that prospective grantees be permitted to amend their applications by submitting statements of intent to redesign where energy savings are possible. This would apply to public works of an on-going energy consuming nature, such as hospitals and schools. In the formula used by EDA, extra points should be given for such conservation efforts. Review and modification of plans by design professionals should be a reimbursable expense within the total amount of the grant. Similarly, any grants for rehabilitation and improvement of existing public facilities should be made with a priority given to energy conscious design and retrofitting.

In fiscal 1978, local governments should be required to certify that projects for which they seek funding will be redesigned for energy efficiency. Extra points should be given for any project whose completion will reduce the community's overall energy consumption. A new public building designed to be energy efficient should be capable of saving 30 to 50 percent over the same building designed without energy efficiency in mind. Our country has limited fuel resources and the Federal Government should not underwrite the cost of constructing facilities which will aggravate an already serious situation.

Moreover, in fiscal 1978, Congress should stress the desirability of energy conservation retrofitting over the construction of new facilities. Rather than increase the inventory of energy wasteful buildings, let us concentrate on improving the efficiency of those facilities already in use.

The AIA believes that a revised public works program will result in a net savings of both money and energy, representing the most efficient use of investment capital. It would demonstrate to the people of this country that Congress can and is responding to their needs. It will meet the challenge of unifying federal programs and policies; lead to the employment of thousands of workers; reduce energy consumption by a substantial amount; and in the long run, reduce the expense to local governments of operating and maintaining their physical plants.

STATEMENT BY JOHN K. EDMONDS, EXECUTIVE VICE PRESIDENT, AMERICAN INSTITUTE OF STEEL CONSTRUCTION, INC.

AMERICAN INSTITUTE OF STEEL CONSTRUCTION, INC.,
New York, N.Y., February 11, 1977.

Re Senate Bill (S. 427)

HON. QUENTIN N. BURDICK,
Subcommittee on Economic Development of the U.S. Senate Committee on Public Works, Dirksen Senate Office Building, Washington, D.C.

GENTLEMEN: It is our understanding that the above Bill is now being considered by the Senate Subcommittee on Economic Development.

On behalf of our 360 structural steel fabricator members, located in 48 states, we urge the Committee to include provisions in the Bill that will require that any funds appropriated by Congress, may be expended only for domestically produced materials and services.

The American Institute of Steel Construction is the national technical specifying and trade association for the steel fabricating industry in the U.S. Our members range in size from many small operations, a considerable number of medium size companies, and a limited number of large enterprises. Our industry's plants and equipment are being modernized, our personnel and techniques are skilled and efficient, and our customers receive the best quality product at the lowest price through our industry practice of competitive bidding. All of our members are independent businessmen (with the exception of four subsidiaries of steel producers) who purchase rolled structural shapes and plate from the mill producing companies and fabricate this material into the structural frames for thousands of buildings and bridges throughout the country.

Regardless of size, our steel fabricator members are important business operations and employers in their local communities. Plant employment in this industry approaches 100,000 workers. Further, the industry's products and functions are essential to the maintenance and growth of American industry and commerce—industrial and commercial buildings, highways and rail bridges, airports, rapid transit systems, etc.

Currently, as a part of the construction industry in the U.S., which is suffering acutely from the general economic slowdown, we are experiencing the lowest level of bookings (orders) and shipments that we have recorded in twenty years. Industry employment has been correspondingly affected, and presently it is estimated that between 15% and 30% of our workers are laid off.

Since the stated and well publicized intent of the "Local Public Works Bill" is to stimulate the economy and increase employment in the U.S., we urge that the Subcommittee on Economic Development require that purchases of goods and services, from the funds provided by the Bill, be restricted to domestic firms. Obviously, expenditures for goods or services purchased from foreign suppliers provide no stimulus to the U.S. economy and do nothing to increase employment in this country. Instead, such expenditures for foreign products bolster their economies and employment. Thus, to omit the stipulation for limiting purchases to domestic products and services, could well defeat the intent and objective of the Bill and abnegate any economic benefit from this very substantial appropriation of U.S. tax funds.

Therefore, the American Institute of Steel Construction respectfully, but with the strongest convictions, urges the Subcommittee to incorporate in the Bill provisions requiring that goods and services be purchased, under the money authorization, only from domestic manufacturers or organizations.

JOHN K. EDMONDS,
Executive Vice President.

SUPPLEMENTARY INFORMATION PROVIDED TO THE HOUSE SUBCOMMITTEE ON ECONOMIC DEVELOPMENT ON FEBRUARY 7, 1977

1. Through a voluntary members' reporting system on fabricated structural steel tonnages let to foreign firms, in round numbers our records indicate that 50,000 tons were reported in 1975 and 100,000 tons of work was let in 1976. Japanese fabricators took approximately 75% of the tonnages in both years.

2. Industry bookings (orders) in the 1975-76 period, due to the economic recession and severely curtailed construction activities, fell 30 to 40% below the average for the ten year period from 1965 through 1974. So, we are experiencing a severe depression.

3. The Japanese fabricators, through their trading companies, have redoubled their efforts to export their product to the U.S. Market. This has occurred in Arkansas, Missouri, the MARTA subway project in Atlanta, Georgia, Alabama, West Virginia, and Iowa. They have been especially successful in Arkansas and Missouri primarily through bidding at prices substantially below the lowest domestic bids, and at levels we are convinced are well below their own fabricating costs. This tactic produces export income and maintains employment for Japan and thereby reduces U.S. fabricating company sales and employment.

4. For the foregoing reasons included in our statement of January 31, 1977 and the additional information recorded above, we urge the Subcommittee to incorporate in the Bill stipulations that will require that materials and products purchased under the Bill be only from domestic (U.S.) manufacturers.

AISC COMMITTEE ON GOVERNMENT AFFAIRS

C. Farnham Jarrard, Jr., Chairman, Allied Structural Steel Co., Chicago Heights, Ill.
Gilbert M. Dorland, Vice Chairman, Carolina Steel Corporation, Greensboro, N.C.
Werner H. Quasebarth, Atlas Machine & Iron Works, Inc., Gainesville, Va.
William O. Swift, Jr., Austin Steel Company, Inc., Houston, Tex.
Henry A. Hewett, Jr., Capitol Steel Corporation, Oklahoma City, Okla.
Edwin H. Webster, Carolina Steel Corporation, Greensboro, N.C.
Howard E. Lechler, Cives Corporation, North Syracuse, N.Y.
Don L. Jones, Lloyd E. Jones Company, Chattanooga, Tenn.
Van W. Coddington, Lakeside Bridge & Steel Co., Milwaukee, Wis.
Benjamin E. Weeks, Leckenby Company, Seattle, Wash.
Joseph S. Jones, Megquier & Jones Corporation, South Portland, Maine.

Oscar W. Stewart, Jr., Mosher Steel Company, Houston, Tex.
James M. Peden, Jr., Peden Steel Company, Raleigh, N.C.
Thomas W. Fauntleroy, Pittsburgh-Des Moines Steel Co., Pittsburgh, Pa.
William P. Helm, Riverside Steel Construction, Santa Fe Springs, Calif.
John K. Edmonds, Secretary, AISC, New York, N.Y.

STATEMENT OF HOWARD BROWN, DIRECTOR, AMERICAN RIVERS CONSERVATION COUNCIL

My name is Howard Brown; I am director of the American Rivers Conservation Council, a non-profit organization located here in Washington, D.C. While our primary area of concern is the preservation of free-flowing streams, there are several aspects of the legislation before you upon which we feel it is important to comment.

As you may recall, my predecessor, Bill Painter, and several other environmental group representatives appeared before you during the 94th Congress to urge that provision be made to exclude from the program channelization and other water resource development projects which could potentially damage our Nation's riverine resources.

The Local Public Works Capital Development and Investment Act of 1976 did include such a provision (Section 106) and we are grateful to you for its inclusion. I understand, however, that there were problems with the administration of Section 106, many of which related to the definition of natural watercourse. We therefor urge you to include a similar provision in this year's legislation but with more precise language. That language should specify that the exclusion applies to all waters of the United States including the territorial seas and that it applies to all water resource development projects, including all works to provide flood control, navigation, shoreline and streambank protection, irrigation, drainage, watersupply storage and other purposes of the nature normally served by programs of the Corps of Engineers, the Soil Conservation Service, or the Bureau of Reclamation.

A second area of concern is the relationship of Local Public Works Capital Development programs to the National Environmental Policy Act, particularly because of the magnitude of expenditures envisioned under such programs. We realize that expeditious implementation is fundamental to the goals of a public works employment program, making it very difficult to give potential projects careful and lengthy review for their environmental impacts. You can, however, restrict the program to projects which are not expected to have significant environmental impact. Judging from the project applications received under P.L. 94-369, such a restriction would affect only a small percentage of potential projects. We therefore urge you to provide that no projects be funded which could be expected to have significant environmental impact or which provide infrastructure such as roads or water and sewer lines to provide for future development, rather than serving immediate needs of existing residential and commercial areas. It might also be useful to provide a separate time period for project review within the time allowed F.D.A. for processing permit applications, perhaps 30 days to rank the applications and 45 days for project review rather than the 60 day total provided by last year's program.

A final area of concern, which we became aware of in investigating last year's program was that because of the ranking system utilized by E.D.A. money was not necessarily going to projects which provided the most jobs. While they did have a priority for labor intensive projects, it was generally overpowered by priority given to new construction, which is usually much less labor intensive than renovations and other types of projects. We were also told that Title X of the Public Works and Economic Development Act as amended (Section 301 of P.L. 93-567) a public works jobs program specifically designed to provide for labor intensive projects, has not been funded.

In summary, we would like the new legislation to include: (1) a precisely defined prohibition on water resource development projects for all waters of the United States including the territorial seas; (2) an exclusion from the program of projects of significant environmental impact or serving future growth rather than existing needs, along with slightly greater time for environmental review of projects in the program; and (3) an effective priority for labor intensive projects possibly modeled after or even based upon Title X of the Public Works and Economic Development Act of 1965 as amended.

These are all reasonable provisions which would only affect a minor percentage of potential projects. I would be happy to provide any assistance I can to obtain information or draft language related to these suggestions, if you desire. Thank you for your consideration.

ASSOCIATION OF REHABILITATION FACILITIES,
Washington, D.C., February 7, 1977.

Hon. QUENTIN BURDICK,
Acting Chairman, Committee on Public Works, Subcommittee on Economic Development, U.S. Senate, Dirksen Senate Office Building, Washington, D.C.

DEAR SENATOR BURDICK: It is my understanding that your subcommittee is conducting hearings regarding S. 427, the "Public Works Employment Act of 1977." It is requested that this statement be placed in the record of proceeding of your subcommittee hearing on this matter. These comments are presented on behalf of the institutional membership of the Association of Rehabilitation Facilities (ARF) which represents more than 1,000 rehabilitation facilities through direct membership and membership in state affiliated chapters. These facilities provide physical and vocational rehabilitation to more than 300,000 individuals annually. These facilities are essential providers of public services to their communities, and as such merit their inclusion and support within the proposed legislation.

In particular we are fully supportive of authority within Section 103 of the bill which extends eligibility to "health care or rehabilitation facilities owned and operated by private nonprofit-making enterprises". A statutory definition for the term "rehabilitation facility" is contained in the Rehabilitation Act of 1973 (P.L. 93-112), which specifies the range of functions commonly recognized under these activities. Although, authority for construction, renovation, and facility improvement is contained within the Rehabilitation Act of 1973, only limited funds have been expended under the facility improvement authority and even less under the facility construction authority.

Based upon recent estimates of funding requirements for rehabilitation facility construction and improvement, we have documented a need for almost $140 million in construction projects. These projects could be initiated in the short term under the authority proposed under Section 103 of the proposed legislation, S. 427. The following is a summary of the construction needs as identified:

ESTIMATES, REHABILITATION FACILITY CONSTRUCTION/IMPROVEMENT FUNDING REQUIREMENTS

	Dollars required
A. Medically Oriented Facilities:	
Construction (new)	33, 032, 000
Expansion and renovation	10, 156, 000
Subtotal (med)	43, 188, 000
B. Vocationally Oriented Facilities:	
Construction (new)	27, 649, 000
Expansion and renovation	68, 188, 000
Subtotal (voc)	95, 837, 000
Totals (med and voc)	139, 025, 000

This is an estimate based on a sample of no more than 10% of the approximately 3,000 medical and vocational rehabilitation facilities. If we can provide this committee with any additional information or substantiation we would be pleased to do so.

Very truly yours,

T. P. HIPKENS,
Director.

STATEMENT OF BERNARD L. BERKOWITZ, MAYOR'S PHYSICAL DEVELOPMENT COORDINATOR IN BEHALF OF MAYOR WILLIAM DONALD SCHAEFER

My name is Bernard L. Berkowitz, I am the Physical Development Coordinator for the Mayor of Baltimore, William Donald Schaefer. The Mayor has asked me to express his thanks to the Subcommittee on Economic Development for the opportunity to present his views on the critical need for a second round of public works spending as part of any economic stimulus package Congress and the President might adopt.

Unemployment in Baltimore currently stands well above eight percent, or approximately thirty thousand citizens. In some sections of the City, the unemployment rate is nearly fifteen percent. Although no firm statistics are available, our local A.F.L.-C.I.O. Building Trades Council estimates that unemployment among construction workers in Baltimore may range up to forty percent. These statistics are both staggering and intolerable.

Some have maintained that local governments would be unable to gear up for increased public works spending, thereby reducing the desired stimulus to the economy. The results of the initial round of public works applications convincingly refute this argument. The Economic Development Administration (EDA) received more than $24 billion worth of grant applications nationwide for projects that could be placed under construction within the required 90 days. Thus, with only $2 billion to award, EDA now has $22 billion of unmet demand on record. Further, I submit that most cities like Baltimore could have applied for much more if prospects for funding had been greater.

We wish to emphasize the merit of public works programs. Baltimore will be receiving approximately $5.7 million to undertake ten worthwhile projects funded under the initial round of public works. The most direct effect will be the sorely needed creation of nearly 1900 person months of employment. In addition, an infusion of $5.7 million in federal funds requiring no local match will have a most beneficial effect on Baltimore's future fiscal position. Mayor Schaefer urges Congress to appropriate at least $2 billion in fiscal year 1977 and another $2 billion in fiscal year 1978 to asure second and third rounds of Title I of the Local Public Works Employment Act of 1976.

With additional rounds of public works funding in the offing, Congress must assure the most equitable distribution of those funds. In this connection, we believe strongly that Congress should remedy inequities, gaps and inconsistencies which occurred during the initial round of public works funding. These shortcomings fall into three categories: 1. allocations to states, 2. allocations within states, and 3. selection of individual projects for funding.

1. *Allocations to States.* The established formula for distribution of the $2 billion to the states was two-tiered. Sixty-five percent of the funds were allocated to states based on each state's share of the total number of unemployed nationwide. The other thirty-five percent of the $2 billion was available only to those states with unemployment rates exceeding the national average. Maryland did *not* qualify. Thus, the City of Baltimore and other sections of the state with unemployment rates higher than the national average and with a critical need for these funds, suffered because of the affluence of the Baltimore and Washington suburbs. We recommend that public works funds be distributed to states only on the basis of each state's share of the number of unemployed nationally.

2. *Allocations Within States.* The Local Public Works Employment Act of 1976 required that seventy percent of the $2 billion appropriated be distributed to jurisdictions having unemployment rates above the national average. The remaining 30 percent would be available to those jurisdictions having unemployment rates between 6.5 percent and the national rate. This 70-30 ratio was closely adhered to within states by the Economic Development Administration.

Beyond maintenance of the 70-30 ratio there were few dependable parameters to guide allocation of funds within a state. The basic guide for allocations was a complex formula for ranking individual projects which resulted in all projects submitted within a state being pitted against each other. After projects had been ranked, EDA superimposed rough county by county "benchmarks" or limits for allocation of funds. This was apparently done to prevent disproportionate amounts from being concentrated within any single jurisdiction in a state. In actuality, the large size of individual project requests with high scores from some of the smaller jurisdictions resulted in approved funding far in excess of the benchmarks for those jurisdictions and less for other jurisdictions.

Inequities in the allocation of funds in Maryland reveal clearly the need for

Congress to give serious reconsideration to the method of distributing funds within all of the states. One county with a population of less than 25,000 and a reported number of unemployed totalling approximately 600 received $3.4 million under this program. Another county with a population of approximately 80,000 received $1.1 million. Three incorporated towns within one suburban Washington area county, each with a population of less than 25,000, received grants averaging approximately $500,000. The same county, with a population of nearly 700,000 and an unemployment rate below the national average, received a grant of $3.2 million. In addition, two other small incorporated towns in this county with unemployment rates below the national average each received grants of approximately $300,000. Thus, a county with an overall unemployment rate below the national average received six grants totalling approximately $5.5 million, or almost as much as the City of Baltimore. We do not think that this was the intent of the public works legislation.

To avoid a repetition of first round inequities, we recommend the following changes:

(1) Distribute 85 percent of all funds to jurisdictions with unemployment rates above the national average.

(2) Distribute 15 percent of all funds to jurisdictions with unemployment rates equal to or less than one percent below national average.

(3) In both the 85 and 15 percent categories, limit per capita assistance made available to any single jurisdiction from exceeding twice the per capita funding available in whichever category (85%, or 15%) the jurisdiction falls.

(4) Allocations made to incorporated places within a county should be counted as part of the county's allocation rather than as separate allocations.

3. *Selection of Individual Projects.* The actual selection of individual projects by EDA involved a complex ranking formula which worked to the detriment of cities. For example, a rural county could have had an unemployment rate of 12 percent with less than one thousand residents unemployed and have been greatly favored over a city with an unemployment rate of 8.5 percent with thirty thousand residents unemployed. In addition, rural jurisdictions characteristically have lower costs of living than their urbanized counterparts. Not suprisingly, these rural areas have lower per capita incomes than cities. This, too, resulted in some disadvantage to Baltimore. Finally, the enabling legislation for this program called for a focus on severity and *duration* of unemployment as a factor in the distribution of funds. Yet, EDA chose to use a single arbitrary ninety day period. The potential for distortion and fluctuation was great. To avoid the above distortions, we recommend the following changes:

(1) Place greater emphasis on absolute number of unemployed by requiring EDA to properly reflect the absolute difference in unemployment in the rating scores.

(2) Adjust rural and urban per capita incomes by cost of living indexes.

(3) Seek some fairer method for measuring severity and duration of unemployment. Perhaps a six month period would be more appropriate.

Actual selection of projects for funding in round one was determined by the Assistant Secretary for Commerce for EDA and EDA regional administrators during a frantic several days in Washington. Anxious local officials had to wait for publication of the *Federal Register* to learn which of their projects, if any, had been funded. No provision was made for their input. As it was, most City of Baltimore projects were ranked nearly equally. Yet, there were clearly some projects we would have preferred which were not funded and vice versa. We recommend that local chief executives be allowed to prioritize the projects they submit and that EDA be required to respect local priorities except where size of project or widely differing project rankings make this infeasible. In fact, we believe that there is something to be said for an allocation of funds to jurisdictions based on an equitable formula and then letting the jurisdictions select eligible projects.

In considering changes in the allocation of funds in the second and third rounds of the Local Public Works program, Congress should adopt an approach which is more equitable to cities like Baltimore which have large numbers of unemployed and unemployment rates above the national average. We were not treated fairly in the first round. Congress should adopt changes which will produce a fair allocation not just in terms of future allocations but which will compensate for first round inequities.

Finally, in deciding about the amount of public works funding needed as well as possible changes in criteria and procedures for selecting projects, Congress should consider the effects of the unusually harsh winter we are experiencing. The damage done by incessant freezes and thaws and regular doses of salt on our streets and sidewalks is going to cost many times more than what has been budgeted in anticipation of Baltimore's usual mild winter. The unfortunate result will be a combination of deferred projects, delayed maintenance and a general setback that will affect major parts of the country. In the first round of local public works funding, these maintenance projects were not eligible. We believe consideration should be given to permitting packages of street, sidewalk and utilities repairs to be eligible under the subsequent rounds of public works funding.

As the Subcommittee can see, a great deal has been learned from our experience with the first round of public works grants. Our criticisms and recommendations are offered in constructive spirit designed to achieve the most equitable distribution of funds. The nation, the State of Maryland and Baltimore City need more Public Works Assistance.

On behalf of Mayor Schaefer, let me again thank the Subcommittee on Economic Development for permitting us to make our views on this important subject known to you.

BICYCLE MANUFACTURERS ASSOCIATION OF AMERICA INC.,
Washington, D.C., February 11, 1977.

HON. JENNINGS RANDOLPH,
Chairman, Senate Public Works Committee,
Washington, D.C.

DEAR SENATOR RANDOLPH: We feel that we should call to your attention valuable projects, not yet funded by bicycle facilities, which could very likely come under the Public Works Employment Act of 1977 (S. 427).

The 94th Congress, in the appropriations amendment to the Federal-Aid Highway Act, approved $6 million for Bikeway Demonstrations Programs. The Federal Highway Administration narrowed 100 highly qualified applications from 495 original proposals down to 41 projects in 31 states, and have funded the "winners" on an 80–20 funding basis.

That leaves the 59 "job-creating losers." These completely satisfactory bikeway demonstration projects, which were developed at considerable cost to the communities involved, require funding of $17 million. They are ready to get off the drawing boards and will create jobs in 34 states. They need only the 80% funding from the government from general revenues. The Congress has already approved the principle. The "Jobs Bill" can provide the funding.

We are enclosing the listing of these bicycle facilities projects as well as the Department of Transportation's release on the funding of the successful projects which were only the tip of the iceberg in relation to the 495 original projects from all 50 states which would have created jobs to complete an estimated $132 million of bikeway development to the tune of more than 4,000 miles. We would be happy to explain to your Committee staff the pertinent details and we stand ready to offer testimony.

It may be that these projects are worthy of a separate piece of legislation similar to the amendment which funded the original 41 projects. We are happy to assist in either case.

Sincerely,

JAMES J. HAYES,
Executive Director.

Enclosures.

Bikeway demonstration projects not selected for FHWA funding

State and project	*Funding*
Alaska: Campbell Creek bikeway, Anchorage A 4-mile class I bikeway within a greenbelt serving both recreation and commuter traffic. Designed with special attention to the natural environment.	$463,400
Alabama: Huntsville 30 miles. Proposed are the most important links in a planned 116-mile bikeway system. Included are bikeways on separate right-of-way and on-street bikeways. The region recommends only funding the portion of the proposal in the vicinity of Alabama A. & M. University.	484,000

Bikeway demonstration projects not selected for FHWA funding—continued

State and project	*Funding*
Arkansas: City of West Memphis 3.5 miles. This project is designed to demonstrate the feasibility and desirability of using a drainage area to provide recreational area and serve as a functional part of the overall transportation plan. This project traverses the area beneath bridges and through otherwise inaccessible areas. This proposal emphasizes the safe movement of children to and from schools and parks.	$172,000
California:	
City of Cupertino Proposes to study only previously constructed bicycle facilities through the use of time lapse motion pictures to determine behavior patterns of motorists and bicyclists.	8,000
City of Garden Grove Involves the construction of a bikeway in conjunction with a structure to serve as a regional center for bicyclists including bicycle storage facilities, rest rooms, a recreational room, an information office, etc. A video tape and brochure to educate users relative to bicycle routes is also proposed.	80,000
Monterey Peninsula Recreation Trail A 4.4-mile bikeway constructed on abandoned railroad right-of-way serving recreation traffic.	500,000
Northwest Pacific RR. tunnel No. 3 bikeway, Marin County Provides for the joint use of an active but underutilized railroad tunnel. Routes a bikepath through a 2-track tunnel in which only 1 track is used.	300,000
San Diego University Provides for a complete bikeway system including safety, bicycle storage, bicycle registration facilities, etc.	272,800
Senior citizens bikeway system, San Marco A 16-mile bikeway system linking a senior citizen community with the downtown area. Proposal also includes the acquisition of 100 adult tricycles to be made available to the senior citizens.	277,307
University of California, Santa Barbara Provides for the improvement of an extensive system of heavily traveled bikeways including separation structures, highway, parking facilities and trail widening.	400,000
Colorado:	
Fountain River bicycle trail, Pueblo The use of greenbelt areas or land adjacent to a flowing river for the use of bikeways. A 3.6-mile project which addresses the problems of trail construction, construction under streets and railroad bridges.	240,000
Platte River greenway, Denver This project would complete a 10-mile section of the Denver bikeway system using urban river corridors right-of-way.	800,000
Connecticut:	
Sayin Rock bikeway, West Haven A 5-mile bikepath which forms the nucleus of a regional costal area bike trail and will provide further links to the existing public transit system. Facilities provided will include 3 scenic turnouts, bike parking and sheltered play areas.	696,000
Town of Stratford bikeway system This 20 mile long sysfem will connect commercial, industrial and residential areas with each other. It can be tied into the regional system that conforms to the town's master plans.	400,000
Delaware:	
Wilmington A 3.3-mile class I bikeway to serve both commuter and recreational trips. Bicycling commuters from the suburban community to be served by the proposed facility presently use existing highways to commute to downtown Wilmington. As a recreational route, the bikeway would travel through 2 scenic parks and close to several historical sites and museum.	136,000

Bikeway demonstration projects not selected for FHWA funding—continued

State and project	*Funding*
Georgia:	
National demonstration bikeway for Atlanta (2–A) 37.6 miles. Proposed is a separate bikeway and bike route utilizing city streets. The separate bikeway uses existing interstate right-of-way which may or may not be abandoned for highway use. The 3.9 mile separate bikeway is specifically designed to accommodate high bicycle speeds to demonstrate that this will encourage bicycle commuting. The project probably will have a long implementation time. The separate bike route will be designed to "freeway" standards with complete control of access, lighting and no at-grade intersections. The remaining mileage will consist of bicycle routes on streets connecting to the "freeway" type bicycle facility.	$1,300,000
National demonstration bikeway for Atlanta (2–B) This proposed project consists of 2.6 miles of a separate bikeway using the right-of-way obtained for the proposed subway. The remainder of the mileage (17.13 miles) is on existing city streets. The system connects with proposed subway stations and is located near the CBD. The system is intended to serve multipurpose bike trips, i.e. recreational commuting and shopping. The regional engineer indicates that the proposal hinges upon the completion of the rapid transit line which may not be constructed at an early date.	206,159
Iowa:	
Davenport The proposal is tied in with on-going planning and projects. It provides for approximately 2 miles of bikeway which expands and ties the existing system. It provides safety and has aesthetic values.	160,000
Des Moines This proposal is part of an on-going project of developing bikeways in the Des Moines area. Previous commitments have been made by Corps of Engineers, Bureau of Outdoor Recreation, State and local agencies. The recommendation of the committee is that only the portion from Gray Lake to Southeast 6th (total cost $250,000) be considered. The recommended section from Gray Lake to Southeast 6th (2.5 miles) would have aesthetic value. It would also connect an existing bikeway to the CBD.	512,000
Idaho: Lucky Peak bikeway, Boise A 10-mile class I and II bikeway linking several parks from downtown Boise to Lucky Peak Dam.	438,000
Illinois:	
Rock River bike route, Moline The proposal is for 2.5 miles of off-street connector paths connecting to the existing on-street routes.	48,000
Tinley Park bikeway program A 9 phase proposal for construction of new and connecting segments of existing bikeways for commuter and recreation travel. Exact length difficult to determine from proposals.	80,000
Kansas: Fort Scott This proposal provides for 2.7 miles of bikeways which include using 2.4 miles of abandoned railroad right-of-way. It also serves a low income area in Fort Scott.	140,350
Louisiana: City of Baton Rouge This project is about 2.2 miles long. It would provide 2 commuter routes for LSU students living in several apartment complexes south of the campus. It proposes to construct the 2 bike paths, paralleling 2 streets serving the Louisiana State University campus and within existing drainage channels.	92,800
Maine: The Town of Gorham Provides for the purchase of abandoned bicycle railroad right-of-way to provide a 16-mile system for access to work, school, the museum, the library and to various recreation areas.	34,400

Bikeway demonstration projects not selected for FHWA funding—continued

State and project	*Funding*
Maryland:	
Overpass and approach, Columbia A bikeway overpass to provide a missing link in an existing bikeway system which now is bisected by a high speed, high volume highway.	$491, 777
W.B.&A. Railroad right-of-way bikeway, Annapolis A 1.8-mile bikeway on an abandoned railroad right-of-way. A meandering alinement with landscaping and periodic rest/shelter areas are some of the features included in the project.	316, 000
Michigan:	
Bikeway program, Okemos The proposal is for approximately 3 miles of 7 ft wide concrete bikeway between East Lansing and Michigan State University bikeways systems.	177, 600
Huron Valley Bikeway, Ypsilanti A 12.5-mile bikeway between Ann Arbor and Ypsilanti. Curb cuts, bridge and culvert are some of the special techniques to be demonstrated.	288, 000
Missouri: Ellisville This proposal provides for the upgrading of an existing but very basic bikeway system (5.25 miles). It provides for paying and and separation structures at high volume highways. It will demonstrate the potential of bicycle transportation in a suburban area	140, 000
North Carolina:	
Durham 4.57 miles. The proposal is mainly to extend existing trails on separate right-of-way in the vicinity of Duke University. An extensive evaluation is proposed including an evaluation of existing trails. Tests of different types of pavements are included.	96, 000
Crabtree Creek bikeway project, Raleigh 9.37 miles. Separate bikeway in stream flood plain in Raleigh near university. High proportion of cost is for right-of-way acquisition. An evaluation of several types of pavements is included in the proposal. The bikeway would serve mainly recreational purposes in a suburban area.	400, 000
New Hampshire: Durham bikeway A 5-mile system designed to preserve open space and green areas on campus (University of New Hampshire) as well as throughout the town by reducing the need for the automobile where the bicycle will provide a safe alternate means of transportation.	193, 807
New Jersey:	
Delaware and Raritan Canal, Trenton An 8.3-mile bikeway that utilizes the Delaware and Raritan Canal feeder and/or abandoned railroad right-of-way and connects to park facilities and downtown Trenton. Commuter use is anticipated linking historical areas and the Trenton core area.	400, 000
Patriots path, Morris County A 27-mile bikeway that will provide areas to the linear park system along the Whippang River. Secondary trails will also be included.	768, 000
Somerset County A 7.5-mile bikeway that will connect with 3 other bikeways to form a continuous system. Conversion of a canal towpath and the use of an abandoned railroad right-of-way for bikeway use are planned that will connect 2 urbanized areas and regional park and recreational uses.	470, 400
New Mexico: City of Albuquerque 6 miles. The proposal stresses the following: (1) maximizing safe commuter usage by children attending schools and also by commuters to University of New Mexico; (2) provide safe and scenic route for recreational use by connecting school playgrounds, city parks, little league baseball fields, and a university campus; and (3) minimize cost of safety considerations by separating bike and automobile traffic through the joint use of existing public drainage rights-of-way, and utilizing innovative safe midblock crossing of city streets.	191, 200

Bikeway demonstration projects not selected for FHWA funding—continued

State and project	*Funding*
New York:	
Bronx River bikeway, Westchester County	$300,000
A 3.7-mile bikeway on parkway lands providing a north-south trunk, allowing for east-west interconnections of feeder routes and will provide safe direct access to the city of White Plains, the seat of the county government and commercial center.	
Ley Creek bikeway, Syracuse	240,000
A 4.7-mile bikeway that is 1 part of an overall system focusing on Onandaga Lake Park. Plans fit into the ecosystem, the historic background and other recreational facilities.	
Niagara River walk trail, Buffalo	500,000
A 14-mile bikeway that will promote tourism and recreation, and will tie into the riverfront redevelopment. Access will be provided to areas that are presently inaccessible and connect to regional bikeway facilities.	
Putnam division bikeway	148,500
A 5-mile bikeway which will form the final connecting link between Old Croton Trailway in central and southern Westchester County to the Mohansic State Park in the northerly section. This will form a 10-mile system from Van Cortlandt Park in the Bronx, New York, to Mohansic State Park.	
Uncle Sam bikeway, Troy	200,000
A 10-mile bikeway system interconnecting the city of Troy. Commercial, industry and educational facilities as well as low income housing. The proposal will connect to other regional and city bikeway systems.	
Oklahoma:	
City of Norman	56,000
2.6 miles. It proposes to provide a commuter and recreational bikeway network from a residential neighborhood to the University of Oklahoma and to Reaves Park, an 80 acre community park.	
City of Stillwater	209,000
5.6 miles. The demonstration bikeway fits into the bicycle route plan and connects with the university's existing bikeway system. The proposed bikeway is composed of 2 basic types of bicycle routes: The separated path and the on-street lane. The separated bikepath portion of the project is 5.2 miles of which 4.8 miles is within a street right-of-way and 0.4 miles is within a greenbelt. The remaining 0.5 miles is made up of bike lanes.	
Oregon:	
"A" Canal bikeway, Klamath Falls	226,845
A 3.9-mile class I bikeway tying into an existing trail system providing recreation and commuter service. The trail is to be constructed utilizing an irrigation canal right-of-way.	
Cherry-Brooks—12th St., Salem	145,552
A 4-mile class I and II bikeway connecting residential and employment areas. The bikeway would also serve 2 schools and 2 parks and would be used for recreation and commuter traffic.	
Raleigh Hills—Progress bikeway, Raleigh Hills	280,000
A 2.5-mile class II bikeway providing access to schools, shopping centers and golf courses.	
Pennsylvania:	
Codorus Corridor, York	144,182
5.4 miles of linear class I bikeway that passes through the CBD of a city and extends to the residential areas on each end. It serves numerous employers.	
Hanover Township	200,000
A 6-mile class I facility along major arterial or collector routes providing access to employment, commercial, recreational destinations along the route.	
Rhode Island:	
Bikeway system, City of Warwick	6[illegible]8,000
The system of 25 miles (approximately) utilizes city easements and an airport preservation zone for the commuter and recreational cyclists.	

Bikeway demonstration projects not selected for FHMA funding—Continued

State and project	*Funding*
Rhode Island—Continued	
Ten Mile River bikeway, East Providence-Pawtucket	$202,960
A 6-mile bikeway that will connect a city park in each city along the Ten Mile River. This facility would become a linear park system uniting historical, business and recreational areas into an interstate (Massachusetts) bikeway system.	
South Carolina: Charleston	272,903
Approximately 1 mile. The portion of the proposal recommended by the region is an adjustment to the sidewalk of the bridge over the Ashley River, a separate bike trail leading to the approach on one end of the bridge and a bike lane on the other. Funding requested by Charleston and its suburbs would be for an extensive bikeway system consisting of separate and on-street bikeways.	
South Dakota: Rapid City	232,000
A 4.7-mile lane independent path in a greenbelt area for both recreational and utility riding.	
Texas: Bryan-College Station	416,960
75 miles. The primary goal is to provide safe environment for bycycling in Bryan-College Station. The secondary benefits include an increase in bicycle usage, energy conservation, and a reduction in vehicular bicycle conflicts.	
Utah: Utah County, Provo	164,320
A 5-mile recreational bikeway utilizing various classes of bikeways linking major recreation areas.	
Virginia: Town of Blacksburg	19,425
This proposed project will implement a 4.3-mile segment of a citywide bikeway system. The identified segment is for the section of town which has a high college student population and it would provide a safe and feasible system for those students and faculty who commute to the VPI and SU campus. It will also include connections to the CBD area.	
Vermont:	
Essex Junction Village	73,320
A ½-mile route connecting a large neighborhood with a junior high school and a major congested intersection and 3 railroad grade crossings. This facility will be located on right-of-way shared with utilities and will necessitate the construction of 2 structures and a new at-grade railroad crossing on new location.	
Burlington and Lamoille rail bed bikeway, Essex	50,240
This project will connect 2 villages with a path 2 miles long and provide traffic free access to recreational facilities and the county's largest employer.	
Washington:	
Green River bike trail, city of Kent	24,880
The elimination of an at-grade crossing of a class III bikeway with major arterial by providing a pathway underneath an adjacent bridge on the arterial.	
State Route 520 Arboretum interchange to Northrup interchange, Seattle	80,000
This project would transport cyclists across the Evergreen Point toll bridge (State Route 520), a limited access facility, by means of a van and bike trailer on a set schedule.	
Wyoming: Cheyenne Bikeway Plan	85,152
A 25-mile bikeway system proposed for a city with no existing system. All classes of facilities to be provided.	

TOWN OF BOULDER,
Boulder, Mont., February 1, 1977.

Senator JOHN MELCHER,
Senate Office Building,
Washington, D.C.

DEAR SENATOR MELCHER: Like many other Montana communities, the Town of Boulder was disappointed that our request for a public works grant from the Economic Development Administration was denied. We had applied for $265,000 to construct a new water storage tank and connecting lines. We felt this project was our number one priority if economic growth was to continue in Boulder. Due to the State of Montana's fluctuating funding level for the Boulder River School and Hospital, the major employer in Boulder, our economic growth rate remains uncertain. Consequently, we are encouraging new industries and businesses to locate in Boulder. During the past year 6 new businesses opened in Boulder, also, over forty new homes were constructed. We are hoping an equivalent business and housing growth rate continues this year. However, for this to occur we must first solve our water storage problems.

We are encouraged to hear that the Carter Administration is proposing additional public work projects funding this year. It is our belief that in states such as Montana more economic benefits and employment opportunities would occur if a larger number of projects were funded. For this to occur we believe the following conditions should be included as part of any new appropriations: (1) that in states with small populations a $500,000 funding request should be the maximum amount allowed, (2) projects which provide basic community services that will provide for an expansion of a community's economic base should receive a priority rating and (3) staffing of E.D.A. should be increased so it will have the capacity to administer the program effectively to a large number of communities.

Thank you for any assistance you can provide us. We are most appreciative of your Office's efforts to assist small rural Montana communities during the past two years.

Sincerely,

DAVID H. KIRSCH,
Mayor, Town of Boulder.

THE BOROUGH OF BRACKENRIDGE,
Brackenridge, Pa.

Your concern over the plight of local municipalities left out of the Public Works Funding Program is greatly appreciated. I would like to present our views and concerns as to this program's future and how it affects our citizens at these hearings.

Needless to say, our experience with the program has been disappointing. Last fall, our Borough Officials attended two separate public meetings with E.D.A. Officials prior to submission of our application to learn of the proper procedure and obtain applications. This was also after we had written letters of intent to the responsible E.D.A. Office requesting details and application procedures. We have never received any response as to initial written inquiries and the information dispensed at the public meetings was ambiguous and contradictory. Responses to identical questions not only varied from meeting to meeting but also contradictory information was given during the same meeting.

As an example of the confusion generated at these informational meetings, we were given verbal instructions to ignore or revise certain provisions of the written instructions, guidelines and application. This however, was never followed by a revised set of written instructions. The resulting lack of specific instructions did not help when preparing the application as it was very difficult to determine what would be ignored or what to stress to properly present our program.

Athough E.D.A. Officials emphasized that the applications would be funded on a first come first served basis, we had to learn through the grapevine as to when applications would be received by E.D.A. This word of mouth notice permitted only three working days to assemble our package.

Regardless of the lack of notification we worked overtime and were among the first to submit an application to the Philadelphia E.D.A. Office when it opened for business October 26, 1976. Of course, we later, discovered that project awards were not made on a first come basis.

The Public Works Employment Act gave brief hope to our community that a much needed project might be completed. Our Street Improvement Program called for the paving of 2.86 miles of unimproved or dirt residential streets and the resurfacing of 1.41 miles of badly deteriorated paved streets. The $945,000 project would have provided 35 construction jobs for a year, also numerous spinoff jobs would be provided for the local construction supply industry. However, such a large project is beyond our local resources to fund. First, it is beyond the borrowing limit of the municipality. Secondly, the citizens of this community are predominantly elderly, low income residents lacking the ability to pay street assessment costs or higher taxes because of our other necessary large expenditures. We have recently gone in debt for over $300,000 for needed water plant improvements and will be faced with additional improvements to meet new water quality standards. Another burden is that our local sewage treatment plant is under orders to provide an $11,000,000 upgrading program of which $3,000,000 must be provided from local funds. These expenses are very severe to impose on a community that already has an unemployment rate of 12.1%.

As you are undoubtedly aware, our area is undergoing some of the most severe weather in its history. Our citizens are faced with horrendous utility bills, not to maintain comfortable levels but merely to prevent damage to their homes.

These residents will be unable to pay higher taxes to contribute to the road repair work that will be necessary after the spring thaw.

In order to understand the street problems that the weather is causing, consider the fact that we have had five major water line breaks this winter and 47 individual service lines frozen. This is quite a severe problem to a utility with only 1543 total customers. Each of these situations requires that the road pavement be cut and repaired later. In addition, the two local gas companies are digging into our streets daily to repair breaks or leaks. All of these repairs will cause street maintenance headaches for years to come.

A common problem for our streets during cold weather is frost heave. Many of the roadways have areas that have been raised above the curbs. These raised areas will of course fall apart when the ground thaws, adding to our already present maintenance problems.

As your committee considers extension of the public works program there are three points which I feel should be incorporated into the allocations formula.

The first is that greater consideration be given to per capita income levels of the applicant. It is inconceivable that wealthy communities that have the ability to fund their own projects may be the recipent of these emergency allocations. Secondly, due to the severe weather imposed road problems in the Northeastern United States greater consideration should be given to applicants with weather caused street or road improvement program that is not eligible under other funding programs. Thirdly, since the publicity generated by this program has been considerable, other communities have had time to create needs or start programs where none before existed, it is hoped that applicants that had previously submitted applications be granted some priority.

COUNTY OF BRADFORD,
Towanda, Pa., February 2, 1977.

Attn: Jeannie Mosley
Subject: Public Works Hearings

Hon. JOHN HEINZ III,
Senate Building,
Washington, D.C.

DEAR SENATORS RANDOLPH, STAFFORD, HEINZ, AND MEMBERS OF THE COMMITTEE: Thank you for providing us with this opportunity to share our concerns about the "Public Works Employment Act of 1976," and any future legislation Congress may consider for public works. Our comments will be limited to Title I of the Act.

We, the Board of County Commissioners of Bradford County, Pennsylvania, sponsored and submitted two (2) correct and complete applications under the above "Act". As the chief executive officers of this county, we took some pains to insure that those projects which we selected satisfied both the defined objectives and the spirit of this "Act", i.e., we proposed only those projects which were on "the shelf" due to a lack of capital expenditures monies. Needless to say, we were saddened to learn that in some instances projects were initiated *after* the "Public Works Act" was published and still received funding. In the future we would suggest that to be considered eligible a project must have been included in either a local comprehensive plan or on local EDA "future projects" lists. This it seems to us would prevent the last minute conceptualization of "things it would be nice to have".

Along these same lines we would suggest that in the priority assignment process, those projects, the completion of which is mandated by an existing Federal (EPA) or State statute or regulation, be given first consideration.

This leads us to another concern, the requirement that Federal and/or State agencies having licensing or review and/or approval authority be required to sign off on "Public Work Applications" (see Part II "Project Approval Information" Section A, Items 1 & 4: *"Specific Instructions For Completing the "Request for Federal Assistance Under the Local Public Works Capital Development and Investment (LPW) Program"*.

While we can certainly appreciate the reasoning behind this requirement we can assure you from a "local" perspective the requirement exposed us to a "bureaucratic nightmare" of the first order. The situation which we encountered was that some federal agencies, e.g., LEAA, were not prepared to "speed-up" their review/comment/approval cycle in order to facilitate the funding of a project under the Public Works Act. In fact trying to get a project submitted, reviewed, commented on and/or approved under the "express" LPW Guidelines, was like trying to convert an alley into an inter-state without moving any of the buildings. We would suggest that, in the future appropriate Federal and State agencies be mandated to develop "contingency plans" which could be put into effect when Congress wants something done in a hurry.

We feel that the amendment (*Federal Register* 41:00, p. 45118–10/14/76) to Section 316.8(b) which allowed school districts to be defined as "general purpose units of local government", was unfair in that it had the effect of forcing all units of local government to re-evaluate their priorities in mid-stream.

We believe that the selection of an "unemployment index figure" was inappropriate and unnecessarily vague. Furthermore, we believe that there was a direct and pervasive bias in the application process in that it gave areas having labor market data; and hence, unemployment data available for minor political sub-divisions, a distinct advantage over rural areas which only had aggregate (county level) data available. Therefore, rural counties were unable to distinguish sub-areas having severe unemployment, with the end result being that rural areas had to go with a "distorted mean value".

Along these same lines it is our understanding that in Pennsylvania, at least, some units of local government surrounding an area with a high rate of unemployment were able to apply that rate of unemployment to their application. This gave them an advantage over areas where the rate of unemployment was not quite as severe. As a result, projects were approved for communities based on an unemployment rate that, in fact, was not the unemployment rate for that particular community. We believe that this allowance was unfortunate and may have, in the heat of competition, led to the gerrymandering of the mis-fortunate (the unemployed).

In short, we believe that a great deal of consideration must be given to the process by which "unemployment" numbers and rates are to be incorporated into any future program funding.

Consideration in any subsequent public works program should be given to the thousands of existing applicants and their relationship to any new applicants. Are they to be treated equally? We would urge that this would not be the case. It would seem to us, and we think many others, to be extremely unfair to penalize those applicants who survived the aforementioned bureaucratic maze by changing the rules and starting all over again.

Finally, without regard to the above deficiencies in the process we would respectively submit that both of the projects which we submitted were designed not only to alleviate the 10%+ unemployment rate in our construction industry but also to create a minimum of 20 new permanent positions within our local economy. We are sure that many of the other unsuccessful applications possessed similar characteristics and as such would serve the dual purpose of providing both an immediate and enduring stimulus to the local economy; and, thus ultimately the entire economy. To this end, we would urge your committee to support an additional, and larger, allocation to this vital program.

Sincerely yours,

WILLIAM A. GANNON,
Bradford Co. Commissioner.

CARSON, N. DAK., *January 31, 1977.*

QUENTIN N. BURDICK,
U.S. Senator,
Washington, D.C.

HONORABLE QUENTIN N. BURDICK: On behalf of the City and Community of Carson, I would like to thank you and the people of E.D.A. for the assistance we received in obtaining the $125,000.00 Grant for a Fire Hall-Community Center.

We all feel this project is a great help to our community for housing the fire equipment and also as a meeting center for our community activities.

Once again, on behalf of everyone thank you.

Sincerely,

JOE M. BRAUN,
Mayor of Carson.

CENTER FOR COMMUNITY CHANGE,
February 7, 1977.

Hon. JENNINGS RANDOLPH,
Chairman, Committee on Public Works,
U.S. Senate,
Washington, D.C.

DEAR SENATOR RANDOLPH: The Committee on Public Works is in the process of examining the way in which the U.S. Economic Development Administration (EDA) recently awarded $2 billion in Local Public Works (LPW) funds. The Town of Guadalupe, Arizona would like to submit for your consideration an analysis of the way in which its application for LPW funds was handled. I believe you will find this analysis helpful in considering any future award of funds under this program.

The Town of Guadalupe is a very low-income community in the vicinity of Phoenix. It applied for funds to construct the community's first sewage collection system. Although its per capita income is much lower, its unemployment much higher and its project much more vital to its well-being than was the case with competing applications, Guadalupe found its application rejected while others in the same county were funded.

The attached analysis shows that EDA staff made an error in entering the per capita income figure on the LPW project scoring sheet. The error was made without the knowledge of Guadalupe officials, and was probably responsible for the denial of the Guadalupe application. Other rating factors were also interpreted in ways which favored other projects from more affluent communities

In the attached exchange of correspondence with Rep. Rhodes, the Town Manager has made a number of recommendations for changes in LPW guidelines, should additional funds become authorized and appropriated for this program. Moreover, since the Guadalupe project should have been selected for funding in the first place, the inequity done to this specific community should be corrected before any further funds are awarded.

I would respectfully request that this letter, together with the attached analysis and correspondence, be made a part of the Committee's record of inquiry into the LPW program and that copies be made available to all Committee members and relevant staff.

Thank you for your consideration.

Sincerely,

NORMAN C. DEWEAVER,
On behalf of the Town of Guadalupe

Attachments.

THE TOWN OF GUADALUPE AND THE LPW PROGRAM

INTRODUCTION

On November 1, 1976 the Town of Guadalupe, Arizona submitted an application for a Local Public Works (LPW) program grant to cover the costs of constructing a sanitary sewer system to serve Town residents. The application requested $1,771,200 to cover 100% of the costs involved. The application was complete in all respects and accepted for consideration by the U.S. Economic Development Administration (EDA).

On December 23, EDA selected those projects for funding which ranked highest on the composite of seven scoring factors previously announced by the agency in the implementing regulations for the LPW program. Three projects were selected within Maricopa County. Two were sponsored by the County government and one by the City of Mesa. The Guadalupe application was not selected.

The purpose of this analysis is to examine the reasons leading to the non-selection of the Guadalupe project.

THE COMMUNITY

The Town of Guadalupe is located in the eastern portion of Maricopa County, immediately southeast of Phoenix, south of Tempe and somewhat southwest of Mesa. There are over 4,000 persons living within the incorporated Town limits, approximately two-thirds of whom are of Mexican-American descent and one-third of whom are of Yaqui Indian descent. Formed by Yaqui immigrants from Mexico in the early years of this century, the community is one of the most historic and culturally significant in the state.

Traditionally, the people of Guadalupe have been farmworkers. Agricultural work is still the largest single source of employment for Town workers. The employment and income figures for the community reflect the seasonality and low wages associated with such work.

The Arizona Department of Employment Security made a survey of the community in April of 1976. The survey showed an unemployment rate of 27.2%. When those who could obtain only seasonable or temporary jobs were added to those without any jobs, the rate was 39.8%. During the same period, the national unemployment rate was 7.5% and the comparable figure for Maricopa County (the Phoenix SMSA) was 8.3%.

The per capita income in Guadalupe, based on Census data and use by the Office of Revenue Sharing of the U.S. Department of Treasury in calculating general revenue-sharing payments, is $1,216. The comparable figure for Maricopa County as a whole is $4,107, almost four times higher.

The income figures drawn from the Census are based on 1972 income levels. Some four years later, the special Arizona Department of Employment Security survey found that nearly one-third of Guadalupe households still had family incomes of under $3,000.

THE PROJECT

The LPW application submitted to EDA by the Town of Guadalupe involved construction of a sanitary sewer system. The Town presently has no sewer system. It never has had one. Outhouses are still in widespread use for the disposal of human waste. According to the 1970 Census, 54% of Guadalupe's housing units lack some or all indoor plumbing facilities. These conditions persist in a community which is urban in its density and surrounded by metropolitan Phoenix.

The lack of sewer facilities poses obvious health hazards. The threat to human health was documented by the Maricopa County Health Department in materials attached to the LPW application.

The LPW project would have provided a main collector line, to hook into the regional wastewater treatment plant serving the entire Phoenix area. The project would also have constructed laterals down Guadalupe streets and up to the propery lines of individual householders.

The LPW program represented the only realistic way in which the community could finance the construction of a sewer system. The local property tax base is non-existent; it consists of poor people's homes. No other federal grant-in-aid program could finance all the features of the system—collector line and laterals on a communitywide basis. Each has restrictions on the extent of the facilities that can be financed, and all but one carry substantial nonfederal share requirements.

COMPARATIVE PROJECT ANALYSIS

EDA received 259 LPW project applications from public agencies in the State of Arizona. Of these, 178 valid applications were received covering project areas, like Guadalupe's, with unemployment rates above the national average. These 178 applications competed for $9,249,800 in available funds.

Ten of these 178 applications were selected for funding. Three of the 10 were submitted by jurisdictions within Maricopa County. These three successful applications were:

A project involving construction of a helicopter landing area submitted by the City of Mesa and funded for $106,000.

A project involving bridge construction submitted by the Maricopa County government and funded for $789,306.

A second project involving bridge construction submitted by the Maricopa County government and funded for $307,500.

The selection of the successful project applications were made by EDA on the basis of seven scoring factors. A comparison between the Guadalupe project and the three successful projects from within the same county is revealing.

Thirty of the maximum 100 percentage points in the basic rank of each project were awarded on the basis of the number of unemployed within the "project area." An additional twenty-five percent of the basic rank was based on the unemployment rate within the "project area."

The two Maricopa County government projects used the entire county as the "project area" with the number of unemployed shown as 41,019 and the rate as 8.04%. The Mesa project application was changed after its initial submission to show the same "project area" and the same figures. Guadalupe could have selected the same "project area" with the same figures, as it is also located within the county. However, it wished to show that unemployment conditions were more severe. It could not use the actual unemployment rate prevailing in the community according to the DES survey—27.2%—because of the way the EDA regulations were written. Instead, it chose an inner city area of Guadalupe and adjoining census tracts with 11,493 unemployed and a rate of 10.8%. *On these two scoring factors*, the number of unemployed and the unemployment rate, *Guadalupe could have ranked at least as high*, if not higher, than applications from the jurisdictions whose projects were selected.

The third scoring factor related to the labor-intensity of the project, defined as the ratio of labor wage costs to total project costs. All project applications in which the percentage of labor wage costs was over 35% but less than 80% of total project costs received the maximum 30 percentage points for this factor. *The Guadalupe project and the three selected from within Maricopa County all received the maximum score for this factor.*

The fourth scoring factor, accounting for 15 of the 100 percentage points in the basic rank score, related to the per capita income within the boundaries of the jurisdiction applying for LPW funds. The per capita income figures to be used were those used by the Office of Revenue Sharing at the Treasury Department in calculating general revenue-sharing payments. The figures were not requested on the application form, but supplied by EDA staff in the process of reviewing and ranking the applications.

The per capita income figure for Guadalupe, according to the Office of Revenue Sharing, is $1,216. The figure inserted by EDA staff and used in calculating the score for this factor was $4,107, the figure for *all* of Maricopa County. The comparable figure for Mesa was $3,963.

Had EDA staff used the correct figure for Guadalupe of $1,216, the Guadalupe project would have ranked significantly higher on this factor than the three projects that were selected for funding.

The basic score of each application was increased by multiplying that figure by the sum of the scores for three additional factors: the nature of the applicant agency, the relative long-term benefit provided by the project and the conformance of the project to approved community plans.

The Guadalupe project, the two successful projects submitted by Maricopa County and the Mesa project all received the maximum value for the first of these three additional factors, since all were submitted by general purpose units of local government.

In terms of long term benefit, an additional factor worth 10 percentage points, all four applications were awarded the same 10 points by EDA staff reviewers. *In EDA's eyes, the benefit to public health to be gained from providing Guadalupe's first sewer system was apparently no greater than that of a helicopter landing pad for a community 3¼ times richer.*

The last scoring factor was based on the relationship of the proposed LPW project and "existing approved plans and programs of a local community development . . . nature." This was a five point factor.

Guadalupe interpreted this factor in an unnecessarily narrow way. The community was incorporated as a Town in 1975 and has yet to finalize and formally adopt an official "Master Plan" for its development. However, the Town Council has already formally adopted a statement of community development objectives which includes the construction of a sewer system. *Guadalupe was therefore entitled to the maximum score for this factor, the score given to the two Maricopa County and the Mesa applications.* However, since the Guadalupe application form had a check in the "no" box on the question relating to conformance to plan, the project received no credit in the scoring of this factor.

In summary, the Guadalupe project could have ranked at least as high on all the scoring factors as did the three projects from within Maricopa County which were selected for funding, save one. This one factor was per capita income, where the Guadalupe project should have ranked considerably higher. *The Guadalupe project should have been funded ahead of the three projects actually selected for funding according to EDA's own scoring system.*

RECOMMENDATIONS

The inequity done to the Town of Guadalupe in the selection of LPW projects should be corrected, as soon as any additional funds become available for the LPW program. In light of the circumstances described above, correcting this inequity and funding the Guadalupe project should take precedence over any other consideration in the award of further LPW funds.

The Guadalupe case also illustrates the extent to which the scoring system used by EDA in selecting the initial round of LPW projects fails to adequately consider the need for the project in the community, the benefit to be gained from the project, the inability of the community to finance the project in ways other than through LPW funds and the actual severity of unemployment in the area. Should additional LPW funds become available, the scoring system used by EDA to select projects for funding should give weight or increased weight to these factors. Also, communities should not be permitted to adjust "project areas" to gain artificial advantage in the scoring process.

Additional recommendations are contained in the attached correspondence between the Guadalupe Town Manager, Bill Hernandez, and Rep. John Rhodes.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., January 27, 1977.

Mr. BILL F. HERNANDEZ,
Town Manager, 8010 South 55th Place, Guadalupe, Arizona.

DEAR MR. HERNANDEZ: Needless to say, I share with you the shock and displeasure you have expressed to me in your correspondence concerning the manner in which the Economic Development Administration allocated funds under the Public Works Capital Development and Investment Act of 1976.

Even the statistical breakdown for Arizona, as shocking as it appears, does not do justice to the enormity of the mistake that was made by EDA in the distribution of funds under the Act.

The meeting that I had with Mr. Eden concerning this matter was at best inconclusive. Realizing that given the time constraints for the allocation, and the fact that the Administration was so close to dissolution, there was nothing that could be done to reverse the funding allocations. Based upon EDA's past performance, I am not too encouraged by the prospects of a new Public Works Capital Development and Investment Act for 1977 which could conceivably misallocate an additional $4 billion in Federal tax monies. However, if such an Act is considered by the 95th Congress, I will work diligently to see that at a minimum the following measures are included in the new Act to insure that what happened in Arizona will not happen again.

The measures that I would introduce into such legislation include:

1. Doing away with the 30 percent set-aside for those communities whose unemployment rate is lower than the national average. This would insure that 100 percent of the funds earmarked for this legislation went to those communities whose unemployment rates are equal to or higher than the national average; after all, these are the communities that this legislation is trying to reach.

2. Funds should be set aside for Indian communities since they have disproportionately higher unemployment rates compared to other areas of the country, and no standard criteria for compiling unemployment statistics. In this way, non-Indian communities can compete against each other for funds without being unfairly prejudiced when they compete against the Indian towns and reservations.

3. Since EDA received over $24 billion in applications for only $2 billion in funds, there should be no new applications accepted. This way, EDA can fund more of the qualified proposals already received.

4. Congress should establish guidelines for EDA so the criteria that the communities will be judged under will make more sense than the formula that was devised for this first go-around. Furthermore, there should be some provision in the new legislation to give EDA the authority to make adjustments for over-

funding in instances where communities cannot absorb the amount of money they can receive under the legislation as it now stands.

While I reserve my right to approve or disapprove of the legislation that is eventually brought to the Floor of the House, I would hope that any bill that is passed by Congress would include these measures for reform. I would appreciate hearing from you at the earliest opportunity with regard to the measures for reform I have proposed in this letter, and any other measures you would like to see included in the new legislation.

Yours sincerely,

JOHN J. RHODES.

TOWN OF GUADALUPE,
Guadalupe, Ariz., January 31, 1977.

Hon. JOHN J. RHODES,
Congressman, House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN RHODES: We have received your letter of January 27, 1977, and greatly appreciate your having taken the time to answer our inquiry. As per your request, I am responding with suggestions for improvement in possible future LPW legislation.

First, the four measures you suggest would, we believe, greatly increase the chance that funding will go to municipalities with major unemployment problems. We agree wholeheartedly that they should be incorporated in any future LPW act.

Secondly, we suggest that three additional measures be given careful consideration: (1) A numerical rating criterion should be included to favor projects having the greatest long-term economic benefit. This would insure that economic development projects receive the emphasis they deserve; (2) Rating criteria should be incorporated to benefit jurisdictions with high percentages of poverty; (3) EDA should be required to fully reveal its methods and procedures before any ranking is done. As you know, considerable confusion still exists regarding the rankings given in the first go-round.

Thank you very much for providing an opportunity to offer our input.

Sincerely,

BILL F. HERNANDEZ,
Town Manager.

STATEMENT OF ROBERT A. CHANDLER, PRESIDENT, NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS (NADO)

Mr. Chairman, members of the committee, I am Robert A. Chandler, President of the National Association of Development Organizations (NADO), composed of over 200 Economic Development Districts organized by local government and the States as substate planning and program partners for economic development. I am also Executive Director of the Lower Rio Grande Valley Development Council in South Texas.

There has been much discussion this week about the administration of the Local Public Works program.

Obviously, each group including NADO would have administered the program differently, and more to their favor.

Obviously too, expectations were raised far beyond the acknowledged capacities of the program.

Overall, however, considering the number of constituencies to be satisfied; the limitations of staff numbers; the constraints of time; and the ratio of dollars available to applications submitted, we believe EDA has accomplished a heroic task.

Rather than discuss the way the first round of the program was conducted, I prefer to address its future, and how to better coordinate Local Public Works with the regular programs of the Public Works and Economic Development Act which it amends.

EDA is designed for long range economic development, with a variety of sophisticated tools to meet many special development needs.

Local Public Works, on the other hand, is an immediate remedy to present national unemployment.

I think all of us—Congress, EDA, the Development Districts, non-metro and metro areas—have proven the basic soundness of the Local Public Works concept as an accelerated expansion of EDA's package of program aids for prompt and effective stimulus to the economy.

We were also pleased on February 4 to hear the statement of Juanita M. Kreps, Secretary of Commerce, that as part of the Administration's economic recovery package the President has recommended a 4 billion dollar increase in local public works projects including an immediate expansion of 2 billion dollars for FY 1977.

NADO supports without question most of the statements made by the Secretary of Commerce in behalf of the objectives of the Local Public Works program. We particularly pull out of context and stress several points made in the Februrary 4 testimony that we believe have not received the attention we think they deserve. The Secretary made the following statements related to the role of local government:

1. The Administration supports a program which will, "fund needed public facilities, *which are consistent with local government priorities.*"

2. Local government should, whenever possible, be given the opportunity to identify and receive funding for those projects which reflect local priorities.

3. EDA will increase its interaction with local government officials to insure that highest priority projects are funded.

The Economic Development Districts were created by the Congress, the States, and local government to provide technical assistance to local government. The 200 Districts, in which local, state, and Federal dollars have been invested, have been working long and hard to inventory the resources and needs of our respective areas, and to establish priorities for sound, sustained economic growth.

We have spent millions of dollars in providing information, data sources and technical assistance to our constituencies, the local units of government . . . primarily in non-metro America.

Yet the LPW bill for the most part (with the exception of the 15 points for overall planning) bypassed the regional priorities already in place, and ignored the help, advice, and the expertise the Districts could have provided.

We have been informed that because all applications stated that their projects were related to a plan this factor was not an effective discriminator among projects. As a result, the Administration is preparing a substitute that states, "The agency should make consistency to plans a finding rather than include it as a scoring factor."

The Districts register strong opposition to any such proposal. We have consistently had to oppose those members of the Federal bureaucracy who would like to select projects based on an agency plan, or process in which there has been no local input. We do not believe that any regional office knows enough about local needs to make a finding regarding a project's long-term benefits. The local regional overall Economic Development Plans being prepared for all Districts with Federal and local funds lists and prioritizes most anticipated projects within the area. The plans, at least in rural America are today strong, well developed plans which should be used in the project selection process.

To be repetitious may I once again quote Secretary Juanita Kreps when she testified yesterday that, "Local government should, whenever possible, be given the opportunity to identify and receive funding for those projects which reflect local priorities."

As a result, too many communities spent far too many dollars on applications which had no possibility of being funded.

In many cases, projects of low local priority were funded at the expense of others that would have better served the long-range public facility needs of an area.

In other cases a project will cost a community dearly in operation and maintenance—before the community has developed the infrastructure to support that particular project.

Other projects had glamour—but did little or nothing to address the long-term needs of its area.

I am happy to report that in many areas where the Development Districts and local communities have a close working relationship, the Districts either provided technical assistance in preparing the applications or actually did prepare the application. This is especially true in the Southeast and Southwest, and resulted in a relatively small percentage of first-time-around rejections. This we verified through our own surveys of the various regions.

NADO has just completed surveying our membership nationwide regarding specific problems intensified in the administration of the LPW act. We will provide the results to your staff as soon as they are available for background in your 3rd financing.

In the meantime, speaking for myself and those Districts whom we have already heard from, I'd like to offer our suggestions for the coming rounds of funding—this one if possible, and certainly the next.

Section 108(c) which called for grants to be related to the three most recent consecutive months in many instances did not give a representative view of the distress in a community. We would hope that this problem would be corrected by a 12-month average, which would, in effect, be seasonably adjusted data;

We feel there should be a local match *unless* the community has in truth reached the limits of its bonding capacity or its ability to borrow. It might be difficult to change the rules for the 2nd round, but there is no reason why changes in this section can't be in place for FY 1978 applications;

We endorse a set-aside for Indian tribes;

The term "local unit of government" should be more narrowly defined or a bonus system designed that will permit local projects to rank above States, schools, etc.;

There should be a better definition of eligibility for projects, so communities do not spend scarce dollars on applications for clearly inappropriate projects. Possibly a pre-application process could be developed in the 3rd round to save time and dollars wasted in project applications preparation;

The scoring formula for the first round created inequities and was too complicated to be understood by many elected officials. We hope that it will be revised at the same time that the project area is clarified and made uniform nationally in order to eliminate the gerrymandering that in some instances took place in the last round;

The program administration should guarantee a more direct relationship between investment and distress, i.e. areas with the highest numbers and rates of unemployment;

Special funds might be allocated for disaster areas due to a sudden rise of unemployment because of Federal policy, environmental considerations, resource depletion or technological changes;

An increase of a minimum State allocation from ½ to 1% may be hard to justify when a need formula is applied nationally. However, the resulting $20 million per State is just about the minimum for the development and management of any State program of substance and effectiveness.

I recognize that many witnesses have proposed the elimination of the 70/30 breakout. I also know that it has caused administrators problems and unequitable distribution in some instances. I am also aware that certain wealthy communities have received funds and that considerable bad publicity has hurt the entire program. Before you eliminate 108(d) completely, however, I suggest you examine the full impact of such a decision. Changes obviously have to be made, but I encourage you to examine the potential effects of such change on rural America. A complete elimination conceivably could change the entire LPW into a city only program the next time around.

Finally, Mr. Chairman, I return to my original point.

Local Public Works must be put in its proper perspective, although I realize the difficulty when $6 billion is compared with the $1.4 billion total authorization for EDA, much less its $360 million appropriation.

Unless this is done, we risk the possibility of skewing, distorting, and worse, of working at cross purposes with the carefully designed programs of EDA and the long-range regional programs of the Development Districts.

Please do not lose sight of the fact that EDA addresses a multitude of approaches to many different problems.

Do not ignore EDA in the press of funding LPW. The Administration has recognized the need for both LPW and the regular EDA programs. The Secretary of Commerce stated on February 4 that, "This preoccupation will not prevent EDA from focusing its energies on the very long-term economic problems. Some communities, both rural and urban . . . need longer-term economic development assistance that will help them build their private sector economic bases. EDA should and will play a leadership role in this economic development process. I hope that we can work together in the upcoming months to strengthen EDA's ability to address these longer run economic difficulties."

In addition Congress, especially this Committee, has made a 3-year commitment to extending the Public Works and Economic Development Act, with a substantially increased authorization.

We need full funding—if not in FY 1977, then certainly in 1978.

There are titles in the 3-year extension which were passed after the FY 1977 appropriation. We hope these at least can be funded this year.

Most serious along with the funding problem is the fact that EDA regular programs are at a standstill. After fighting for its life for the past 8 years, living on starvation rations sustained in large part only because you have been willing to defend it; committed to processing and distributing billions of dollars through LPW over a sustained period; EDA could rapidly lose its effectiveness without a substantial increase in staff to handle LPW, the new sections, and the on-going programs.

We have proven the need and the effectiveness of LPW in meeting, immediately, the crisis proportions of present unemployment.

What NADO is asking, simply, is that we make the dollars yet to be spent go as far as possible in meeting not only the short-term unemployment needs, but at the same time the long-term requirement for sustained and balanced economic growth nationwide.

LPW alone cannot do the job.

Harnessed with EDA and the sophisticated tools you have devised for it over the last decade and more, and the planning and priority setting accomplished by the Districts, it can address not only today's problems but the needs of many years to come.

Thank you.

CIVES CORPORATION,
North Syracuse, N.Y., January 11, 1977.

Senator JENNINGS RANDOLPH,
Chairman, Senate Committee on Public Works,
Dirksen Building, Washington, D.C.

DEAR SENATOR RANDOLPH: Unemployment is considered by many to be the most pressing problem facing our Country today. News reports indicate a two billion dollar public works bill is to be introduced in an effort to provide some relief for this problem. However, in order for such a program to be effective, it is imperative that any authorizing legislation contain the provision that materials and products procured under the program be solely of American source and manufacture. If this provision is not made, the purpose of such a program will be totally defeated!

Previous legislation authorizing public works moneys did not require the use of American-made products and materials, thereby providing employment for foreigners with increased—rather than decreased-unemployment among Americans.

For example, thousands of tons of fabricated structural steel are being used in Georgia, Arkansas, New York, Massachusetts, California, and numerous other States. Each ton so used means the loss of an estimated 40 to 50 total manhours in the steel and fabricating industries alone.

This unemployment, together with the multiplier effect of service industries and suppliers, not to mention taxes lost, would indicate a net loss to the American economy of somewhere in the neighborhood of $500 to $700 per ton to gain less than $50 in immediate price advantage.

Putting it another way, one American is put out of work for a whole year at a savings of a mere $2000 per project. This is diametrically opposed to the intent of the public works bill—to put Americans back to work and lower unemployment!

We are well aware of the problems of international trade negotiations, but respectfully submit that the steel exporting countries who supply fabricated structural steel to the United States are underwriting jobs for their own workers at the expense of putting Americans out of work. Our domestic priority is to provide jobs for Americans.

We strongly urge you to stipulate that any new legislation require the use of American-made products and materials.

Thank you for your support in this most urgent matter.

Sincerely,

HOWARD E. LECHER,
President and Chairman of the Board.

CLIFTON SPRINGS HOSPITAL AND CLINIC,
Clifton Springs, N.Y., February 9, 1977.

Re local public works capital development and investment program application, Woodbury renovation project (Clifton Springs Hospital and Clinic), Project locator No.: L–NY–5973–0, SAI No. 14420.

Hon. JENNINGS RANDOLPH,
Chairman, Senate Public Works Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR RANDOLPH: We are taking this opportunity to inform you of our concerns on two vital issues related to the above referenced Public Works program.

First, additional funding for this program is essential. The New York State and National unemployment rates remain at unacceptable levels and are exceptionally severe in the construction trades. We strongly support the efforts of the House and Senate Public Works Committees to initiate legislation to expand this program of economic stimulation. Many worthwhile projects, such as our own, never received funding approval during the first round of funding. Although the Economic Development Administration is holding these applications, none of the projects will see the light of day without Congressional assistance.

Second, we wish to inform you of our support, in part, for S. 427 introduced by Senator Jennings Randolph. A key provisions (Sec. 103b) of that legislation would specifically include "health care or rehabilitation facilities owned and operated by private nonprofit-making entities." Under the original 1976 Act, only local governments could apply for funds. Thus, only government owned hospitals and health care facilities were eligible, unless a complicated sale and leaseback of facilities was arranged with a local governmental sponsor. In fact, our own application was submitted, not by us, but by the Village of Clifton Springs. We strongly urge you to support inclusion of private, non-profit hospitals as well as public hospitals under the provisions of this legislation in recognition of the critical need for modernization of vital health care facilities. S. 427 is a step in the right direction, but is applicable to FY 1978. Inclusion of this key provision in the new application bill for the current year is our goal, and we hope your's also.

Attached please find a concise description of our application for the Woodbury Renovation Project at the Clifton Springs Hospital and Clinic. It is estimated that this $2,880,000 project, which is already approved by local and regional health planning agencies and the New York State Health Department, will employ approximately 126 permanent and temporary full-time employees drawn from the labor pools of the 33rd, 34th and 35th Congressional Districts and that it will stimulate further employment in construction related industries such as material manufacturers, suppliers, fabricators, transporters, etc.

Your support for additional funding and the inclusion of private non-profit hospitals and health care facilities within the scope of the legislation is desperately needed. Should you desire further information on our recommendations and views, please feel free to call me at any time.

Thank you for your interest and continuing support for quality public health care in New York State

Very truly yours,

ROBERT E. SLEIGHT, *Executive Director.*

Attachment.

WOODBURY RENOVATION PROJECT—ECONOMIC DEVELOPMENT ADMINISTRATION

PROGRAM

Proposed funding:

Federal	$2,888,000
Clifton Springs Hospital and Clinic	[1] 92,000
Total	2,980,000

[1] Represents amounts already expended for architect and engineering plans, drawings, and specifications.

Project approvals have been obtained from

Village of Clifton Springs (complies with Master Plan dated 8–31–67).
Genesee Regional Health and Planning Council.
New York State Hospital Review and Plaming Council.
New York State Department of Health.

Project description

The project involves the recycling and complete renovation of the Woodbury Building in order to make it comply with the requirements of the New York State Health Department, the New York State Mental Hygiene Department, and the latest safety codes. The Woodbury Building was opened about 1928 and has been in continuous use as a major element of the patient care services at Clifton Springs Hospital and Clinic. It is a brick and reinforced concrete structure of six stories.

The Woodbury Renovation Project is the final phase of the master plan that was developed during the 1960's. The Hospital's State license includes the provision for 18 psychiatric beds and an Occupational Therapy Service. The Psychiatric Service has been in continuous operation since 1928 and was the first open in-patient Psychiatric Service to be established in a general hospital in the United States. The Occupational Therapy Department was the base and the site upon which was formed the American Occupational Therapy Association in the 1940's. The Medical Library has been in existence for a great many years and has been considered by many experts to be one of the best Professional Libraries in a general community hospital.

The other seven hospitals in the four Finger Lakes counties have given their unanimous support toward making Clifton Springs Hospital and Clinic serve as the Mental Health Center for the area.

Proposed project

The following outline lists the various services and activities which will be located on the respective floors when the project is completed:

Basement

A. Maintenance Department.
B. Volunteers' Office and Gift Shop Supplies.
C. Pathology Specimens and X-Ray Films.
D. Medical, Business and Housekeeping Records and Supplies.

First floor

A. Psychiatry and Psychology Support Areas (includes patient reception area, group therapy and behavior therapy, electroshock therapy and recovery room, out-patient services and offices and patient dining area).

B. Occupational Therapy (includes major Occupational Therapy modalities, kitchen, music room, ceramics and exercise room).

C. Speech Therapy.

D. Beauty Shop.

Second floor

A. Psychiatric In-Patient Unit—20 Beds.

Third floor

A. Health Related Unit—18 Beds.
B. Medical Professional Library.
C. Small Laboratories.

Fourth floor

A. Health Related Unit—30 Beds.

New jobs to be created

Officials and managers	2
Professionals	25
Office and clerical	8
Craftsmen	56
Laborers	8
Service workers and others	27
Total	126

This represents 74 construction related jobs and 52 new full time positions permanently added to the Hospital's staff.

Also, our architect estimates that many more jobs will be created in construction related industries such as materials manufacturers, suppliers, transporters, fabricators, etc.

COMMUNITY SERVICES ADMINISTRATION,
REGION IX,
San Francisco, Calif., February 3, 1977.

HON. JENNINGS RANDOLPH,
Chairman, Committee on Public Works,
U.S. Senate, Washington, D.C.

DEAR SENATOR RANDOLPH: The attached concept, using the Public Works Act to make existing facilities more accessible to the disabled, may be of interest to you in your joint capacity as Chairman of the Committee on Public Works and of the Committee on the Handicapped.

It is respectfully forwarded for your consideration.

Sincerely,

RUDY FRANK, *Evaluation Specialist.*

Enclosure.

PROBLEM

A majority of America's public and quasi-public facilities—state, local and Federal—are not fully accessible to disabled citizens. Massive changes to make such facilities accessible have been directed by the Congress, which has not appropriated funds to ease the changes.

Specific Congressional requirements include:

1. The Rehabilitation Act of 1973—Section 504 provides that "no otherwise qualified handicapped individual . . . shall, solely by reason of his handicap, be excluded from the participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance". Similar language in Section 503 covers all Federal contractors. The 503 regulations (issued in 1976) and the 504 regulations (pending at HEW) require that facilities be made accessible.

2. The 1976 amendments to the revenue sharing program—Section 1242 contains non-discrimination language identical to that quoted above, and states specifically that it covers all programs receiving revenue sharing funds, including any construction begun after January 1, 1977.

3. The 1976 Amendments to the Architectural Barriers Act (Pub. L. 94-541) effective January 1, 1977, provides that all leased Federal buildings must be made accessible before the leases can be renewed.

All three of these laws have provisions for complaint procedures, administrative hearings, funds cut-offs, and court review. None provide funding earmarked for the mandated renovations. HEW's estimate of the cost of compliance by it's grantees (in the May 17, 1976 Federal Register) is a range of between $216 million and $475 million. HUD, Commerce, Labor and other grantees would have additional costs. While state and local public agencies have an obligation to obey the law by making their facilities accessible, they are short on funds. Without transitional funds, compliance is likely to be spotty and obtained after much litigation (Legal Services programs serving the disabled poor can be expected to be active). Many of the non-accessible public facilities were constructed with Federal assistance.

WHAT CAN BE DONE

The Public Works Act is a singularly appropriate way to help. According to news reports, it will be amended in spring, 1977. It has job creation as a major purpose. As was noted in House Report No. 94-1584 on Public Law 94-541:

"Since renovation also tends to be more labor oriented—per construction dollar—than new construction it could mean more jobs. A $1 million investment in repair and alternation work could produce up to three times as many jobs as $1 million in new construction activity. This comparison cannot be taken literally in all cases but it does illustrate that possibilities exist through this legislation for substantial and effective payoffs in worthwhile employment."

The Act could be earmarked to provide a minimum dollar expenditure for renovations to make facilities accessible or could direct that preference be given to such projects. It should be specified in such Congressional action that it is not the intent of Congress to excuse anyone from the provisions of the laws cited above.

CRAWFORD COUNTY COMMISSIONERS' OFFICE,
Meadville, Pa., February 2, 1977.

To: Senators Randolph, Stafford, Heinz, and members of the Committee.
From: Crawford County, Pa.
Subject: Comments to the Senate Public Works Committee relative to Title I of the Public Works Employment Act of 1976.

Crawford County was one of the money municipalities which submitted a project for funding under Title I of the Public Works Employment Act of 1976, and was ranked at a level too low to receive funds. Our Board of County Commissioners is aware of the difficulty the Economic Development Administration undoubtedly was faced with in making decisions on projects which were to be alloted funds. Crawford County was seeking $3,117,800 for the construction of a much needed new county jail. Our application was ranked #276 in Pennsylvania. Our Board would like to make the following series of observations to you and the other members of the Senate Public Works Committee.

1. There appeared to be little attention given to the importance of the contribution the proposed projects would make to creating and sustaining the levels of necessary public services offered by municipalities to the people in their jurisdictions. For example two projects in our County were ranked higher than our county jail project. One of these (ranked #145) was for the extension of sewers to serve an area that is sparcely settled and which is not part of any planned growth area in the applicant township's plans. In fact the extension proposed would be an addition to a new system soon to be funded under a Federal Environmental Protection Agency grant. The other project (ranked #227) was for the construction of public school recreation facilities—indoor swimming pool, football stadium and field house, tennis courts, and a small gymnasium for wrestling and other special events. These facilities were rejected by the school district voters in recent public meetings. If built these facilities would have to be partially supported perennially by State subsidy. This school district now has an athletic program; the new facilities would only improve an existing program.

These examples are mentioned to illustrate that in our opinion projects are often proposed by local officials which would be nice to have but which one would be hard put to support in terms of their real need. We feel strongly that some effort must be made to get at this very important aspect of public works grants. If our resources are limited—as they are—then we must make hard choices. The two examples listed above indicate to us that hard choices are not being made.

2. We note some municipalities have received more than one project approval. We believe municipalities should prioritize their projects where more than one is submitted. Large municipalities have the resources to go after and obtain state and Federal funds from many sources. Large municipalities undoubtedly have great needs; they also have great resources. We feel that in this program as in so many other programs the smaller, more rural communities can hardly compete. We ask that more of an effort be made to distribute the benefits of this program throughout the State. No projects in Crawford County were funded even through we have an unemployment rate of 10–12 percent.

3. We support a longer project start-up period. Small municipalities have less capability to prepare and package plans than do the larger jurisdictions. (Another built-in advantage for the large cities etc.) The program should permit more design and engineering work to be completed after the municipality receives a funding commitment.

4. Finally we must make a special plea for the funding of needed county facility projects. The county provides its services to larger constituency than most other municipalities. By funding well conceived county projects the Federal government can help a greater number of people. Our county jail application, if funded, would have eased tax burdens for all of the 85,000 people in our county. Our project, proposed for location in the center of the County, would have helped the employment situation throughout our 1000 square mile county area.

We hope our views will be considered carefully by you and the Senate Committee. We believe this public works program funding can be improved assuming a program such as this is continued in future years.

Sincerely,

HARRY T. KERR, *Chairman.*

UNITED STATES SENATE,
COMMITTEE ON GOVERNMENT OPERATIONS,
SUBCOMMITTEE ON INTERGOVERNMENTAL RELATIONS,
Washington, D.C., January 18, 1977.

Hon. JENNINGS RANDOLPH,
Chairman, Senate Committee on Public Works,
United States Senate, Washington, D.C.

DEAR JENNINGS: Enclosed please find a copy of a letter I have received from the Honorable Perry Smith, Mayor of Cumberland, Maryland, concerning Title I of the Public Works Employment Act of 1976.

I thought Mayor Smith's comments might be of interest to you and members of the Public Works Committee as you consider the future of the Title I program.

With best wishes.

Sincerely,

EDMUND S. MUSKIE.

CITY OF CUMBERLAND,
Cumberland, Md., January 4, 1977.

Senator EDMUND S. MUSKIE,
Russell Senater Office Building,
Washington, D.C.

DEAR SENATOR MUSKIE: The writer had the pleasure of meeting you at the National League of Cities' Convention in Miami over a year ago, when you came to the floor to talk to the Maine delegation. I remember your speech, and fortunately, Maryland and Maine were seated close together, so I had the pleasure of shaking your hand.

Your interest in the Federal funding programs is shared by the writer. You can see by the enclosure the importance to a City of 30,000. It would be appreciated if you would review these attachments, which were forwarded to our Senators and Congressman.

I can see unilateral decisions that simply do not add up to the guidelines for those types of projects which were funded. Our City went to considerable expense in time, effort and travel, and trust that the future decision-making process will grant us some relief.

Thank you for your time.

Respectfully,

F. PERRY SMITH, Jr., *Mayor.*

CITY OF CUMBERLAND,
Cumberland, Md., December 23, 1976.

Re applications submitted to EDA under Public Works Employment Act of 1976.

Senator-Elect PAUL SARBANES,
Cannon House Office Building,
Washington, D.C.

DEAR PAUL: According to Part VI of the Federal Register this date, our four attached applications were not included in the funding. We are naturally very disappointed, after the effort and expenditures we put forth for a depressed area with a 12.4% unemployment rate, perhaps the highest in the State at the time of application.

We understood the intent of the legislation was to give relief to high unemployment areas with labor intensity projects, and filed accordingly. Our priorities were based on maximum use of manpower and thus more jobs. Our renovation project, (City Hall and Public Safety Building), could be started immediately, and the three drainage projects, (Brinker's Run, Candoc and Haystack), are engineered to start as soon as weather permits, and certainly within ninety days.

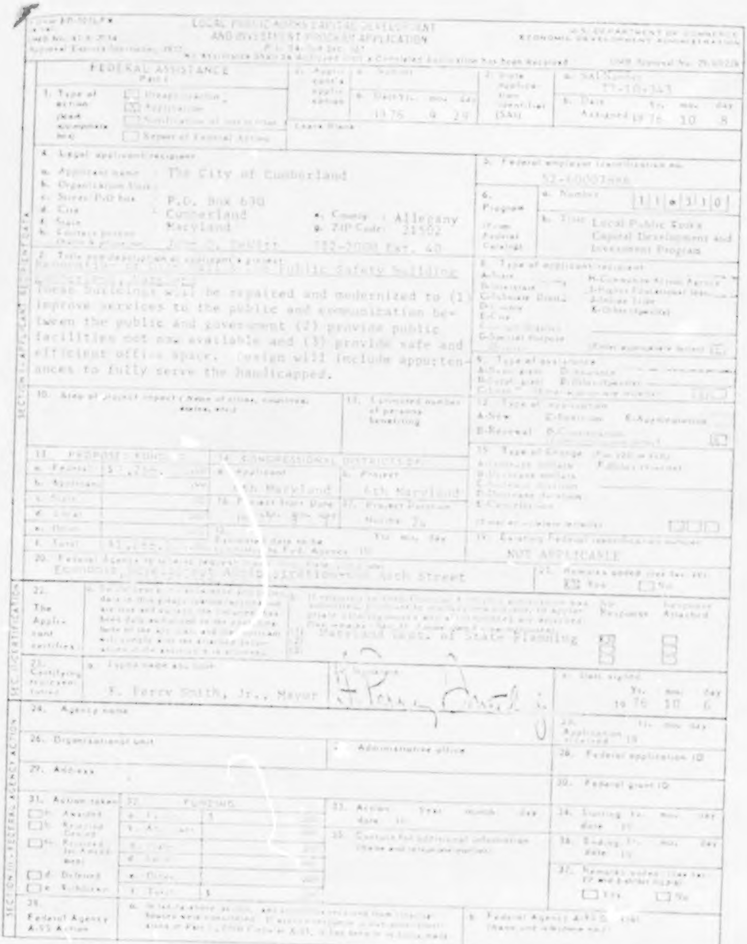
As usual, metropolitan areas were given preference in the funding through select district unemployment figures, and not an area rate applicable to both Cumberland and Allegany County. There also is a question of population base versus amounts awarded. Our city and county simply did not come out with a consistent amount of funding, either in dollars or priority of project.

We would appreciate your comments should you consider the situation warrants study. Perhaps you could suggest other fundings if we are definitely eliminated from this program.

With Season's Greetings, I am

Respectfully,

F. PERRY SMITH, Jr., *Mayor.*



Form ED-101LPW

LOCAL PUBLIC WORKS CAPITAL DEVELOPMENT AND INVESTMENT PROGRAM APPLICATION

U.S. DEPARTMENT OF COMMERCE
ECONOMIC DEVELOPMENT ADMINISTRATION

FEDERAL ASSISTANCE

1. Type of action: ☐ Preapplication ☒ Application ☐ Notification of intent ☐ Report of Federal Action

Date: 1976 9 29

a. SAI Number: 77-10-343

b. Date Assigned: 1976 10 8

4. Legal applicant/recipient

a. Applicant name: The City of Cumberland

c. Street/P.O. box: P.O. Box 630

d. City: Cumberland

e. County: Allegany

f. State: Maryland

g. ZIP Code: 21502

h. Contact person (Name & telephone no.): John [illegible] DeWitt 722-2000 Ext. 40

5. Federal employer identification no.: 52-6000[illegible]

6. Program (From Federal Catalog) a. Number: 11.310 b. Title: Local Public Works Capital Development and Investment Program

7. Title and description of applicant's project:

Renovation of City Hall & the Public Safety Building [illegible]

These buildings will be repaired and modernized to (1) improve services to the public and communication between the public and government (2) provide public facilities not now available and (3) provide safe and efficient office space. Design will include appurtenances to fully serve the handicapped.

13. Proposed funding: a. Federal $1,7[illegible]; f. Total $1,7[illegible]

14. Congressional districts of: a. Applicant: 6th Maryland b. Project: 6th Maryland

17. Project duration: Months 24

19. Existing Federal identification number: NOT APPLICABLE

20. Federal agency to receive request: Economic Development Administration [illegible] Arch Street

21. Remarks added: ☒ Yes ☐ No

22. The applicant certifies: Maryland Dept. of State Planning ☒

23. Certifying representative: a. Typed name and title: F. Perry Smith, Jr., Mayor

b. Signature: F. Perry Smith

c. Date signed: 1976 10 6

SECTION IV – REMARKS *(Please reference the proper item number from Sections I, II, or III, if applicable.)*

Part I, 1,7,a — The project has been forwarded to the Maryland State Clearing House for review. This is attached as Appendix to Exhibit I-22-b.

Exhibit IV-B-1 — Attached as Appendix to Exhibit IV-B-1, for reinforcement of the area's unemployment rate, is data supplied by the Building Trades Council stating the unemployment rate for that membership is 44%.

Agency Special Instructions:

(a) Shaded-over items need not be completed

(b) Item 12.c – Revision refers to applications resubmitted after deficiencies are remedied

(c) Item 13 – "Proposed Funding*" – identify all Federal funds:

Agency Name	Funds	Type of Funds
EDA – LPW	$	LPW Grant
*Total Federal	$	← (Enter in item 13a)

(*) Must agree with sum of Line 15 and appropriate part of 14b in Part III, Section B – LPW Grant Budget

(d) Item 26 – In estimating project start date, assume approval 60 days after receipt.

(e) Item 27b – Modified OMB Circular A-95 procedure applies for first 90 days (see Regulations [illegible] *Program Guidelines*)

ED-101LPW
No. 41-S-2934
Approval Expires September, 1977

LOCAL PUBLIC WORKS CAPITAL DEVELOPMENT
AND INVESTMENT PROGRAM APPLICATION
P.L. 94-369 Sec. 107
No Assistance Shall be Approved until a Completed Application has been Received

U.S. DEPARTMENT OF COMMERCE
ECONOMIC DEVELOPMENT ADMINISTRATION

OMB Approval No. 29-R0218

FEDERAL ASSISTANCE
Part I

1. Type of action (Mark appropriate box)
☐ Preapplication
☒ Application
☐ Notification of intent (Opt.)
☐ Report of Federal Action

2. Applicant's application
a. Number
b. Date Yr. mo. day 19 76 9 29
Leave Blank

3. State application identifier (SAI)
a. SAI Number [illegible]-10-361
b. Date Assigned Yr. mo. day 19 76 10 8

4. Legal applicant/recipient
a. Applicant name The City of Cumberland
b. Organization Unit
c. Street/P.O. box P.O. Box 630
d. City Cumberland
e. County Allegany
f. State Maryland
g. ZIP Code 21502
h. Contact person (Name & phone no.) John O. DeWitt 722-2000 Ext. 40

5. Federal employer identification no.
52-60007886

6. Program (From Federal Catalog)
a. Number 11.310
b. Title Local Public Works Capital Development and Investment Program

7. Title and description of applicant's project
East Humbird Area Storm Drainage:
This will provide street drains, laterals, trunks and river outfall in an 80 acre residential area.

See Section IV - Remarks for additional description

8. Type of applicant/recipient
A-State
B-Interstate
C-Substate District
D-County
E-City
F-School District
G-Special Purpose District
H-Community Action Agency
I-Higher Educational Inst.
J-Indian Tribe
K-Other (Specify)
(Enter appropriate letter) E

9. Type of assistance
A-Basic grant
B-Suppl. grant
C-Loan
D-Insurance
E-Other (Specify)
(Enter appropriate letter(s)) A

10. Area of project impact (Name of cities, counties, states, etc.)

11. Estimated number of persons benefiting

12. Type of application
A-New
B-Renewal
C-Revision
D-Continuation
E-Augmentation
(Enter appropriate letter) A

13. PROPOSED FUNDING

a. Federal	$1,575,666.00
b. Applicant	.00
c. State	.00
d. Local	65,620.00
e. Other	.00
f. Total	$1,617,286.00

14. CONGRESSIONAL DISTRICTS OF:
a. Applicant 6th Maryland
b. Project 6th Maryland

15. Type of Change (For 12C or 12E)
A-Increase dollars
B-Decrease dollars
C-Increase duration
D-Decrease duration
E-Cancellation
F-Other (Specify)
(Enter appropriate letter(s)) ☐☐☐

16. Project Start Date Yr. mo. day 19 [illegible]

17. Project Duration Months 18

18. Estimated date to be submitted to Fed. Agency Yr. mo. day 19

19. Existing Federal identification number
NOT APPLICABLE

20. Federal Agency to receive request (Name, City, State, ZIP Code)
Economic Development Administration - 600 Arch Street
Philadelphia, Pa.

21. Remarks added (See Sec. IV)
☒ Yes ☐ No

22. The Applicant certifies
a. To the best of my knowledge and belief, data in this preapplication/application are true and correct, the document has been duly authorized by the governing body of the applicant and the applicant will comply with the attached assurances if the assistance is approved.
b. If required by OMB Circular A-95 this application was submitted, pursuant to instructions therein, to appropriate clearinghouses and all responses are attached:
(1) Maryland Dept. of State Planning
(2)
(3)
No Response ☒ ☐ ☐
Response Attached ☐ ☐ ☐

23. Certifying representative
a. Typed name and title F. Perry Smith, Jr., MAYOR
b. Signature F. Perry Smith, Jr.
c. Date signed Yr. mo. day 19 76 10 6

24. Agency name

25. Application received Yr. mo. day 19

26. Organizational unit

27. Administrative office

28. Federal application ID

29. Address

30. Federal grant ID

31. Action taken
☐ a. Awarded
☐ b. Rejected Denied
☐ c. Returned for Amendment
☐ d. Deferred
☐ e. Withdrawn

32. FUNDING

a. Federal	$ .00
b. Applicant	.00
c. State	.00
d. Local	.00
e. Other	.00
f. Total	$ .00

33. Action date Year month day 19

34. Starting date Yr. mo. day 19

35. Contact for additional information (Name and telephone number)

36. Ending date Yr. mo. day 19

37. Remarks added (See Sec. IV and Exhibit 1-22-6)
☐ Yes ☐ No

38. Federal Agency A-95 Action
a. In taking above action, any comments received from clearinghouses were considered. If agency response is due under provisions of Part 1, OMB Circular A-95, it has been or is being made.
b. Federal Agency A-95 Official (Name and telephone no.)

SECTION I - APPLICANT/RECIPIENT DATA
SEC. II - CERTIFICATION
SECTION III - FEDERAL AGENCY ACTION

SECTION IV – REMARKS *(Please reference the proper item number from Sections I, II, or III, if applicable.)*

Part I, 1,3,a	The project has been forwarded to the Maryland State Clearing House for review. This is attached as Appendix to Exhibit I-22-b
Exhibit IV-B-1	Attached as Appendix to Exhibit IV-B-1, for reinforcement of the area's unemployment rate is data supplied by the Building Trades Council stating the unemployment rate for that membership is 44%.

ADDITIONAL DESCRIPTION OF #7 Page 1:

The project will provide several long and short term benefits both to a specific segment of the population of Cumberland and the public in general. The project will provide increased public health and safety by removing storm water from streets, sidewalks, lawns and basements of low and middle income families. Removal of storm water from the C&O Canal conforms with and complements the intentions of the National Park Service to improve the canal in this area. The canal improvement itself will contribute additionally to the public health, safety and general welfare. Finally, improvement of the canal and resolution of the storm flooding problem will aid in the City of Cumberland's goal to establish a major recreational facility on the flood plain adjacent to this area. Thus, the benefits both direct and indirect, and both short and long term are many.

Agency Special Instructions

(a) Shaded-over items need not be completed

(b) Item 12 c – Revision refers to applications resubmitted after deficiencies are remedied.

(c) Item 13 – "Proposed Funding" – identify all Federal funds:

Agency Name	Funds	Type of Funds
EDA – LPW	$	LPW Grant
*Total Federal	$	← (Enter in Item 13a)

(*) Must agree with sum of Line 13 and appropriate part of 14b in Part III, Section B – LPW Grant Budget.

(d) Item 16 – In estimating project start date, assume approval 60 days after receipt.

(e) Item 22b – Modified OMB Circular A-95 procedure applies for first 90 days *(see Regulations and/or Program Guidelines).*

LOCAL PUBLIC WORKS CAPITAL DEVELOPMENT AND INVESTMENT PROGRAM APPLICATION
P.L. 94-369 Sec. 107
No Assistance Shall be Approved until a Completed Application has been Received

U.S. DEPARTMENT OF COMMERCE
ECONOMIC DEVELOPMENT ADMINISTRATION

OMB Approval No. 29-R0218
Expires September, 1977

FEDERAL ASSISTANCE
Part I

1. Type of action (Mark appropriate box)
☐ Preapplication
☒ Application
☐ Notification of intent (Opt.)
☐ Report of Federal Action

2. Applicant's application: a. Number
b. Date Yr. mo. day 19 76 9 29

Leave Blank

3. State application identifier (SAI): a. SAI Number 77-50-142
b. Date Assigned Yr. mo. day 19 76 10 8

4. Legal applicant/recipient
a. Applicant name : City of Cumberland
b. Organization Unit :
c. Street/P.O box : P.O. Box 630
d. City : Cumberland
e. County : Allegany
f. State : Maryland
g. ZIP Code: 21502
h. Contact person (Name & phone no.) : John O. DeWitt 722-2000 Ext. 40

5. Federal employer identification no. 52-6000786

6. Program (From Federal Catalog)
a. Number 11.310
b. Title Local Public Works Capital Development and Investment Program

7. Title and description of applicant's project: Brinker Run Storm Damage Relief: An existing storm sewer will be augmented by installing parallel sewers along several reaches, which are of inadequate capacity. This will eliminate the overflow of sanitary sewage, and the resulting health hazards, which now occur at several locations. (One of the overflows occurs at the site of a new school, which includes facilities for handicapped children).

8. Type of applicant/recipient
A-State
B-Interstate
C-Substate District
D-County
E-City
F-School District
G-Special Purpose District
H-Community Action Agency
I-Higher Educational Inst.
J-Indian Tribe
K-Other (Specify)
(Enter appropriate letter) E

9. Type of assistance
A-Basic grant
B-Supplemental grant
C-Loan
D-Insurance
E-Other (Specify)
(Enter appropriate letter(s)) ☐☐

10. Area of project impact (Name of cities, counties, states, etc.)

11. Estimated number of persons benefiting

12. Type of application
A-New
B-Renewal
C-Revision
D-Continuation
E-Augmentation
(Enter appropriate letter) A

13. PROPOSED FUNDING
a. Federal $ [illegible] .00
b. Applicant .00
c. State .00
d. Local .00
e. Other .00
f. Total $ [illegible] .00

14. CONGRESSIONAL DISTRICTS OF:
a. Applicant 6th Maryland
b. Project 6th Maryland

15. Type of Change (For 12C or 12E)
A-Increase dollars
B-Decrease dollars
C-Increase duration
D-Decrease duration
E-Cancellation
F-Other (Specify)
(Enter appropriate letter(s)) ☐☐☐

16. Project Start Date Yr. mo. day 19 77

17. Project Duration Months 9

18. Estimated date to be submitted to Fed. Agency Yr. mo. day 19

19. Existing Federal identification number NOT APPLICABLE

20. Federal Agency to receive request (Name, City, State, ZIP code)
ECONOMIC DEVELOPMENT ADMINISTRATION - 600 Arch Street [illegible]

21. Remarks added (See Sec. IV) ☐ Yes ☒ No

22. The Applicant certifies:
a. To the best of my knowledge and belief, data in this preapplication/application are true and correct, the document has been duly authorized by the governing body of the applicant and the applicant will comply with the attached assurances if the assistance is approved.
b. If required by OMB Circular A-95 this application was submitted, pursuant to instructions therein, to appropriate clearinghouses and all responses are attached:

	No Response	Response Attached
(1) Maryland Dept. of State Planning	☒	☐
(2)	☐	☐
(3)	☐	☐

23. Certifying representative
a. Typed name and title F. Perry Smith, Jr., MAYOR
b. Signature F. Perry Smith
c. Date signed Yr. mo. day 19 76 10 6

24. Agency name

25. Application received Yr. mo. day 19

26. Organizational unit

27. Administrative office

28. Federal application ID

29. Address

30. Federal grant ID

31. Action taken
☐ a. Awarded
☐ b. Rejected Denied
☐ c. Returned for Amendment
☐ d. Deferred
☐ e. Withdrawn

32. FUNDING
a. Federal $ .00
b. Applicant .00
c. State .00
d. Local .00
e. Other .00
f. Total $ .00

33. Action date Year month day 19

34. Starting date Yr. mo. day 19

35. Contact for additional information (Name and telephone number)

36. Ending date Yr. mo. day 19

37. Remarks added (See Sec. IV and Exhibit 1-33-B) ☐ Yes ☐ No

38. Federal Agency A-95 Action
a. In taking above action, any comments received from clearinghouses were considered. If agency response is due under provisions of Part 1, OMB Circular A-95, it has been or is being made.
b. Federal Agency A-95 Official (Name and telephone no.)

1

USCOMM-DC [illegible]

SECTION IV – REMARKS *(Please reference the proper item number from Sections I, II, or III, if applicable.)*

Part I, 1,3,a   The project has been forwarded to the Maryland State Clearing House for review. This is attached as Appendix to Exhibit 1-22-b.

Exhibit IV-B-1   Attached as Appendix to Exhibit IV-B-1, for reinforcement of the area's unemployment rate is data supplied by the Building Trades Council stating the unemployment rate for the membership is 44%.

Agency Special Instructions:

(a) Shaded-over items need not be completed.

(b) Item 12 c – Revision refers to applications resubmitted after deficiencies are remedied.

(c) Item 13 – "Proposed Funding" – identify all Federal funds:

Agency Name	Funds	Type of Funds
EDA – LPW	$	LPW Grant
*Total Federal	$	← (Enter in Item 13a)

(*) Must agree with sum of Line 11 and appropriate part of 14b in Part III, Section B – LPW Grant Budget.

(d) Item 16 – In estimating project start date, assume approval 60 days after receipt.

(e) Item 22b – Modified OMB Circular A-95 procedure applies for first 90 days *(see Regulations and/or Program Guidelines)*.

Form ED-101LPW
(8-76)
Form No. 41-R-3714
Approval Expires September, 1977

LOCAL PUBLIC WORKS CAPITAL DEVELOPMENT
AND INVESTMENT PROGRAM APPLICATION
P.L. 94-369 Sec. 107
No Assistance Shall be Approved Unless a Complete Application Has Been Received

U.S. DEPARTMENT OF COMMERCE
ECONOMIC DEVELOPMENT ADMINISTRATION

OMB Approval No. 29-R0218

FEDERAL ASSISTANCE
Part I

1. Type of action (Mark appropriate box)
☐ Preapplication
☒ Application
☐ Notification of intent (Opt.)
☐ Report of Federal Action

2. Applicant's application
a. Number
b. Date: Yr. mo. day 19 76 9 29

Leave Blank

3. State application identifier (SAI)
a. SAI Number 77-10-344
b. Date Assigned: Yr. mo. day 19 76 10 8

4. Legal applicant/recipient
a. Applicant name: The City of Cumberland
b. Organization Unit:
c. Street/P.O. Box: P.O. Box 630
d. City: Cumberland
e. County: Allegany
f. State: Maryland
g. ZIP Code: 21502
h. Contact person (Name & phone no.): John O. DeWitt 722-2000 Ext. 40

5. Federal employer identification no.: 52-60007886

6. Program (From Federal Catalog)
a. Number: 1 1 . 3 1 0
b. Title: Local Public Works Capital Development and Investment Program

7. Title and description of applicant's project: Haystack Mountain Drainage Control Structures: The Project consists of a 7000' open channel designed to intercept and convey a minimum 25-yr. return frequency storm from the upper elevations of Haystack Mt. to the Wills Crk. Flood Control conduit. The increasing runoff from the upper elevations due to urbanization (housing, hospitals, nursing homes) is creating hazardous conditions for downstream residents. Due to topographical conditions the only feasible approach is an open channel taking into full account of the changing upstream hydrological conditions with continued development.

8. Type of applicant/recipient
A-State
B-Interstate
C-Substate District
D-County
E-City
F-School District
G-Special Purpose District
H-Community Action Agency
I-Higher Educational Inst.
J-Indian Tribe
K-Other (Specify)
(Enter appropriate letter) E

9. Type of assistance
A-Basic grant
B-Suppl. grant
C-Loan
D-Insurance
E-Other (Specify)
(Enter appropriate letter(s)) A

10. Area of project impact (Name of cities, counties, states, etc.)

11. Estimated number of persons benefiting

12. Type of application
A-New
B-Renewal
C-Revision
D-Continuation
E-Augmentation
(Enter appropriate letter) A

13. PROPOSED FUNDING

a. Federal	$3,542,050.00
b. Applicant	.00
c. State	.00
d. Local	.00
e. Other	.00
f. Total	$3,542,050.00

14. CONGRESSIONAL DISTRICTS OF:
a. Applicant: 6th Maryland
b. Project: 6th Maryland

15. Type of Change (For 12c or 12e)
A-Increase Dollars
B-Decrease Dollars
C-Increase Duration
D-Decrease Duration
E-Cancellation
F-Other (Specify)
(Enter appropriate letter(s)) ☐☐☐

16. Project Start Date: 19 [illegible]
17. Project Duration: Months 18

18. Estimated date to be submitted to Fed. Agency: Yr. mo. day 19

19. Existing Federal identification number: NOT APPLICABLE

20. Federal Agency to receive request (Name, City, State, ZIP code): Economic Development Administration - 600 Arch Street

21. Remarks added (See Sec. IV) ☒ Yes ☐ No

22. The Applicant certifies that:
a. To the best of my knowledge and belief, data in this preapplication/application are true and correct, the document has been duly authorized by the governing body of the applicant and the applicant will comply with the attached assurances if the assistance is approved.
b. If required by OMB Circular A-95 this application was submitted, pursuant to instructions therein, to appropriate clearinghouses and all responses are attached:
(1) Maryland Dept. of State Planning — No Response ☒ — Response Attached ☐
(2) ☐ ☐
(3) ☐ ☐

23. Certifying representative
a. Typed name and title: F. Perry Smith, Jr., MAYOR
b. Signature: F. Perry Smith, Jr.
c. Date signed: Yr. mo. day 19 76 10 6

24. Agency name

25. Application received: Yr. mo. day 19

26. Organizational unit

27. Administrative office

28. Federal application ID

29. Address

30. Federal grant ID

31. Action taken
☐ a. Awarded
☐ b. Rejected/Denied
☐ c. Returned for Amendment
☐ d. Deferred
☐ e. Withdrawn

32. FUNDING

a. Federal	$ .00
b. Applicant	.00
c. State	.00
d. Local	.00
e. Other	.00
f. Total	$ .00

33. Action date: Year month day 19

34. Starting date: Yr. mo. day 19

35. Contact for additional information (Name and telephone number)

36. Ending date: Yr. mo. day 19

37. Remarks added (See Sec. IV and Exhibit I-52-8) ☐ Yes ☐ No

38. Federal Agency A-95 Action
a. In taking above action, any comments received from clearinghouses were considered. If agency response is due under provisions of Part 1, OMB Circular A-95, it has been or is being made.
b. Federal Agency A-95 Official (Name and telephone no.)

1

USCOMM-DC 18496-P76

SECTION IV – REMARKS *(Please reference the proper item number from Sections I, II, or III, if applicable.)*

Part I, 1,3,a The project has been forwarded to the Maryland State Clearing House for review. This is attached as Appendix to Exhibit 1-22-b.

Exhibit IV-B-1 Attached as Appendix to Exhibit IV-B-1, for reinforcement of the area's unemployment rate is data supplied by the Building Trades Council stating the unemployment rate for that membership is 44%.

Agency Special Instructions:

(a) Shaded-over items need not be completed.

(b) Item 12 c – Revision refers to applications resubmitted after deficiencies are remedied.

(c) Item 13 – "Proposed Funding" – identify all Federal funds:

Agency Name	Funds	Type of Funds
EDA – LPW	$	LPW Grant
*Total Federal	$	←— (Enter in Item 13a)

(*) Must agree with sum of Line 13 and appropriate part of 14b in Part III, Section B – LPW Grant Budget.

(d) Item 15 – In estimating project start date, assume approval 60 days after receipt.

(e) Item 22b – Modified OMB Circular A-95 procedure applies for first 30 days (see *Regulations and/or Program Guidelines*).

DISABLED AMERICAN VETERANS,
NATIONAL SERVICE HEADQUARTERS,
Washington, D.C., December 6, 1976.

Hon. JENNINGS RANDOLPH,
Chairman, Senate Committee on Public Works, U.S. Senate, Dirksen Senate Office Building, Washington, D.C.

DEAR SENATOR RANDOLPH: I recently had the opportunity to review Public Law 94–369, "Public Works Employment Act of 1976" and specific reference is made to Section 207(a).

The Disabled American Veterans is very concerned over the language contained in Section 207 as we believe it is in direct conflict wtih Secton 504 of Public Law 93–112, the Rehabilitation Act of 1973. As you are aware, the language contained in Section 504 is similar to that in Section 207, yet Section 207 is devoid of according protection to the handicapped in nondiscrimination under this particular program. Since this program is a "grant" program, we believe that the protection accorded to those individuals on grounds of race, religion, color, national original, or sex, should also be accorded to handicapped.

We would sincerely appreciate your review and consideration of amendatory language to provide this nondiscrimination protection to the handicapped in programs authorized under Public Law 94–369. Your anticipated cooperation is sincerely appreciated.

Sincerely,

RONALD W. DRACH,
National Director of Employment.

OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.,
Erie, Pa., January 26, 1977.

To: Senators Randolph, Stafford, Heinz and members of the committee.
From: Erie Opportunities Industrialization Center.

Thank you for an opportunity for me to prepare this written testimony for the committee hearing on Public Works. The Opportunities Industrialization Center of Greater Erie was founded by a group of concerned clergy and other citizens on March 1968. In February of 1967, we renovated an old warehouse known as the Pelham Building located on the corner of Sixteenth and German Streets. We began our training program out of this facility.

The building is more than one hundred years old and has numerous maintenance problems and construction deficiencies. We have been in this building continuously for the past ten years and maintenance alone has caught up to us to the extent that we can no longer operate a suitable program out of this facility. Having become aware of our maintenance problems in 1971, we set about to seek funding sources to build a new facility.

Our first application for a facility was to the Economic Development Agency of the United States Department of Commerce. This was prepared with the assistance and aid of the City Planning Office and we have made numerous attempts to have the Secretary of Commerce declare either the city as a whole or certain census tracts in the city as depressed areas thus making the central city that we are primarily servicing eligible for Economic Development Agency funds.

We were unable to get this accomplished even though the unemployment status exceeded fifty percent of the nation's average continuously over the past four years in six census tracts, one of which is the one in which we are presently located.

The city's redevelopment authority, in its planning process, has reserved for this agency a plot of land consisting roughly of 6500 square feet. This lot has been reserved for the Erie OIC for nearly three years while we were endeavoring to obtain funds for the building. This plot of land is also located in the same census tract in which we are presently located and is approximately two and one-half blocks from our present site. The City Planning Office, the Mayor, County Commissioners and the City Council has passed resolutions approving our application for Public Works funds to build this much needed facility. Needless to say, we were greatly disappointed when we did not receive funds from the first round of funding. After having read the legislation we felt that we fulfilled all requirements of the legislative intent.

As a manpower program, the Erie OIC represents a unique and effective blend of grassroots community identity, strong business sector participation, and federal, state, county and city government support. Modeled after the Philadelphia OIC prototype developed by Rev. Leon H. Sulllivan, the Erie OIC has become one of the best community-based Manpower Development and Training Act Skill Centers in the country. As a Skill Center, the Erie OIC is recognized as one of the area's most effective and innovative manpower programs. This is demonstrated by its prominent role in the delivery of manpower services to Erie County Pennsylvania with the annualized funding in excess of $850,000. In addition, the Erie OIC has been delegated the major responsibility for institutional training for the local city and county.

More than 10,128 Erie citizens have been served since our beginning and more than 3,232 persons have completed training and have been placed by our efforts. Currently there are 700 persons on our waiting list to be trained.

The need is apparent and the demand of the citizens for vocational training is evidenced by the long waiting list and we must expand the program. The help of your office in seeing that Erie is given a fair consideration on the merits of its programs and particularly with regards to the Erie OIC building will be greatly appreciated.

Very truly yours,

PAUL P. MARTIN, *Executive Director.*

THE BOROUGH OF ETNA,
Etna, Pa., February 3, 1977.

To: Senators Randolph, Stafford, Heinz, and members of the committee.
From: Borough of Etna, Pa.

I appreciate your letter of January 20, 1976 regarding the failure of Etna to receive a grant from the E.D.A. I know that many were disappointed since 20,000 or more applications were received and someone had to be left out. I do feel that the program could have been administered more efficiently and perhaps, more equitably if the following procedures were adopted:

(1) more time given for the preparation of the plans, specifications and applications

(2) more time for application review and more time for corrections if need be by applicants

(3) more regional offices, by districts, for distribution of information, review of applications and approvals. These district offices would know more about the applying communities than the offices far away. This would give the more deserving (need) communities a better chance and not have to depend on a computer program to "goof".

(4) The application should be reviewed according to projects that give service to all of the people—not "frill" projects that help only a few.

(5) The financial plight of the community should be considered. Some of the "richer" ones with large bank accounts, no debts, etc., are receiving the aid and look for additional ways to spend the money. The poorer ones are going more into debt, and decreasing the much needed services to the people.

All in all, the P.W.E. Act of 1976, really developed into a "Haste makes Waste" sort of thing; yet, some deserving communities such as Sharpsburg did get the grant and I'm happy for them.

From all of us—Thanks and God bless you, and yours, always.

Very truly yours,

W. M. SKERTICH, *Secretary-Manager.*

G. B. COOLEY HOSPITAL FOR RETARDED CHILDREN,
West Monroe, La., January 19, 1977.

Senator JENNINGS RANDOLPH,
U.S. Senate,
Washington, D.C.

DEAR SENATOR RANDOLPH: As Chairman of the Public Works Committee, I would like for you to review the enclosed letter from Richard Jones, our consulting architect, to Senator Bennett Johnston's office. It is our understanding that additional funding will be made available through the LPW Act. If there are hearings related to the regulations for the new funding, I would like an opportunity to speak to the committee and/or to have Mr. Jones' letter put on record. I know there has been much criticism concerning the handling of LPW Funds, it is not my desire to criticise what has happened in the past but rather to prevent the funding of projects that will not be of maximum benefit to the community.

By way of personal introduction I am the son of Henry M. Sydnor who was Superintendent of Schools in Jefferson County, West Virginia. I recall his having mentioned you and also having met you when we lived in Charles Town. I really would appreciate your consideration of this letter when your committee meets concerning the LPW Funds.

Also, Dave Rally of the Department of Commerce was extremely helpful to Mr. Jones and me when we were in Washington. We really appreciated his time, and cooperation, he was very interested in our projects and helpful in explaining what might be some future possibilities.

Sincerely,

GRANVILLE L. SYDNOR, M. DIV., ED. D.,
Administrator.

Enclosure.

JENKINS, LAZENBY & LUTTRELL,
West Monroe, La., January 14, 1977.

Mr. ALAN YUSPEH,
Office of Senator J. Bennett Johnston,
Russell Senate Office Building,
Washington, D.C.

DEAR ALAN: Thank you very much for the time and consideration you extended to Dr. Sydnor and me on Thursday, January 6. As you requested, I am outlining in this letter a few points which we feel should be given consideration in any enactment of a bill similar to the Local Public Works Employment Act of 1976.

We generally feel that the Economic Development Administration did a commendable job in administering Title I of the program. However, after having carefully reviewed the disbursement of funds in our state, we are quite disappointed in the overall effectiveness of the program It appears that there are some errors basic to the legislation and to the formulation used by EDA in setting priorities for project funding. We do not feel that the disbursement of funds within the State of Louisiana was consistent with the intent of Congress.

Our own interpretation of the Act, which was reinforced by EDA in numerous meetings, was that the program was directed at areas of generally high numbers of unemployment—metropolitan areas—although considerations would be given to high rates of unemployment, low per capita income within the area, and the ratio of labor cost to total cost of the project. Our review of the project rankings within our state lead us to these conclusions: (1) Unemployment rates and per capita income ratings put metropolitan areas at a disadvantage. Projects were funded in areas with unemployed persons numbering as low as 64 while areas with 4,000 to 6,300 or more were totally passed over; (2) There are numerous statistical errors in the project listing. Projetes which we submitted were assigned three different rates of unemployment even though we used the same statistical area for each project and the statistics provided in our applications were supplied to us by EDA. Caddo Parish was assigned a rate of 7.59 percent and fell at the bottom of 70 percent funding list while LaPlace, with a 7.6 percent unemployment rate, was funded as the top project on the 30 percent list.

The point of this is that we feel there are too many statistics from too many sources requiring too many interpretations for EDA's priority ranking system to work. Although projects should be directed at unemployment reduction, they should not be funded so blindly as to not give consideration for other factors such as what the project may accomplish in a community.

We understand that another program similar to the LPW is now a distinct possibility. We are hopeful that Senator Johnston will evaluate the suggestions we are offering here and use his influence with the Public Works Committee and in the Senate to correct what we feel are grave errors in the existing program. Some of the needed changes are as follows:

1. The elimination of the 30 percent category of funding. This is simply a siphoning of funds from areas with greater needs.

2. The elimination of the per capita income category in the rating system. Given inflationary factors and the higher cost of living in urban areas, the difference between income in rural towns and urban areas is not what it appears statistically. Additionally, this program cannot possibly change the per capita income in an area and is not intended to do so.

3. The requirement of local matching funds for projects or at least a significant advantage for those who will provide matching funds. This will eliminate "boondoggle" projects since local governments will be reluctant to spend their own money on unworthy projects.

4. Significant consideration for projects which will provide longrange economic benefits such as creation of permanent employment.

5. Extended time frame for construction to begin for the purpose of allowing EDA time to evaluate projects individually to judge whether or not they justify the expenditure of federal tax dollars. There is little doubt that many questionable projects were submitted and funded because there was no provision for them to be evaluated beyond the number of jobs they might create.

Again, Alan, we appreciate your time and consideration and are hopeful that if the program is re-enacted, the Senator can be of some assistance in seeing that it is handled in a more equitable manner. Please call upon me or Dr. Sydnor if we can be of assistance or provide any further information. Anytime you think we may be of help to you on this or any other matter, we would appreciate the opportunity to assist.

Sincerely,

RICHARD M. JONES.

U.S. DISTRICT COURT,
WESTERN DISTRICT OF PENNSYLVANIA,
Johnstown, Pa., January 31, 1977.

To: Senators Randolph, Stafford, Heinz, and members of the committee.
From: William L. Glosser for Cambria County, Pa.
Subject: Implementation of the Local Public Works Capital Development Program, Public Law 94-369 Section 107, as administered by the Economic Development Administration in December of 1976.

I cannot conceive of a more unfair program in administration than was devised to dispense the allocated funds than in this instance.

An application was made on behalf of the Cambria County Commissioners for a facility to be known as the Cambria County Community Recreation Center which was to have replaced a 60 year old decrepit YMCA in Johnstown. The application was properly prepared and timely submitted on November 28, 1976. All approvals were timely submitted by County, Regional, and State officials. The Philadelphia office of the EDA returned the application for what can only be described as "nitpicking" of the most blatant bureaucratic variety. In returning the application, they indicated we had three days in which to correct and resubmit. Unfortunately, the returned application was received in the United States Mail three days after the final submission date. Result: Cambria County gets some new curbing in Southmont Borough . . . a bedroom community of an affluent suburbia while the young adults continue to roam our streets having nothing constructive to occupy their time.

I personally spent the better part of three months preparing this application for the Commissioners and it was no small task, ask my secretary. It cost the local YMCA in excess of $5,000 to prepare the necessary data and renderings involved; this, they could ill afford. To have it end up as an 18-inch-high stack of paper in the corner of my office leaves both me and the community with one very raw taste in our mouths.

I write you this in hopes that when the proposed new Bill is passed that will reimplement this program, steps will be taken to make certain that programs of positive social worth, which will provide the maximum amount of construction employment, as well as employment on a continuing basis thereafter, will be given first priority. It is time human beings made decisions, not computers.

Thank you for requesting my comments.

Every good wish.

Cordially,

WILLIAM L. GLOSSER,
United States Magistrate.

GREATER POMPANO BEACH SENIOR CITIZENS CLUB,
POMPANO BEACH RECREATION CENTER,
Pompano Beach, Fla., January 29, 1977.

Hon. RICHARD STONE,
Old Senate Office Building,
Washington, D.C.

DEAR SENATOR STONE: As President of the Greater Pompano Beach Senior Citizens Club, meeting presently as a group once a month for a two hour get together we find the Recreation Center, due to the other activities, not available to be used as a Senior Citizen Center on a five day usage for Senior Citizens Activities. Our membership has grown to where such Senior Activities would not be feasible (aproximately 500 members) in the present building. We have requested our Recreational Advisory Board and the City Commissioners for funding through Federal help of a separate Senior Citizens Wing. Though we note projects under Public Works Employment Act of 1976, such as swimming pools, gymnasium buildings, basketball, etc. were planned, we were informed nothing had been planned for Senior Citizen Activities. However, the City consented to lease us a building site not owned by the city but under their control if we had Federal funding, however, they would not provide a separate center for Senior Citizens even with Federal funding. It was suggested the city and our group should further check any Federal funding that might be available and I would respectfully request your help in the following:

(1) Federal funding earmarked for a Senior Citizens buildings for programs and educational purposes.

(2) We as a group would respectfully suggest for your information that any funding to Cities for Senior Citizens usage or in the event of block grant funds for Senior Citizens activities be so earmarked so that Senior Citizens groups not be in the position of paying taxes for other groups and have no funding for Senior Citizens activities. More often different from other groups (generally Social, Civic), travel and aiding others in the community in nutrition problems.

In closing we will appreciate any information you may have on the above problem and we are sure both of our Senators from Florida are aware of the many problems Senior Citizens have, both now and in the future to be solved.

Respectfully yours,

ALBERT W. BAINES, *President.*

TESTIMONY TO SENATE PUBLIC WORKS COMMITTEE

Date: January 31, 1977.
To: Senators Randolph, Stafford, Heinz and members of the committee.
From: Borough of Harveys Lake, Luzerne County, Pa., Guy J. Giordano.
Subject: Title II of the 1976 act.

Most discussion about the act appears to be directed at the fairness and mechanics of the rating system from Title I. We at Harveys Lake also believe some changes in the Title I rating system might be warranted but we cannot overlook a serious problem with Title II of the act.

When Harveys Lake was first notified we would receive anti-recessional fiscal assistance (additional revenue sharing dollars) under Title II of the act, we were elated because we had recently discovered the projection for our 1% earned income tax revenue was off by $10,000 for the year 1976. The significance of a $10,000 reduction in income is great when you note this amount represents roughly 10% of the total budgeted income for our community. Upon checking into possible causes for our loss in earned income tax revenue we were astonished to learn our community has an 18.2 percent unemloyment rate.

With regard to Title II of the Public Works Act, we felt that our 18.2% unemployment rate should have been used to develop the payment due our community. Instead, however, a county wide unemployment rate (which is approximately half our rate) is being used to distribute the money. It doesn't take much logic to understand these payments, based on a county wide rate, must result in an unfair distribution of fiscal assistance. The distribution appears unfair because communities which really need the income are not receiving it and, by the same token, communities with rates of unemployment much lower than average rate, are receiving more than their fair share of fiscal assistance.

With reference to the above described problem, I have attached copies of correspondence sent to the office of Revenue Sharing. Anything the Legislature can do to solve this problem would certainly be appreciated.

Enclosures.

TESTIMONY TO SENATE PUBLIC WORKS COMMITTEE

Date: January 31, 1977.
To: Senators Randolph, Stafford, Heinz and members of the committee.
From: Borough of Harveys Lake, Luzerne Couty, Pa., Guy J. Giordano.
Subject: Title I of the act.

Attached is a copy of an evaluation made by consultants to the Borough of Harveys Lake in reference to our aplications under Title I of the Public Works Act. It would seem appropriate to introduce this evaluation as part of this testimony.

Please note Harveys Lake has applied for two projects under the Act: A municipal building garage/office complex and a project to establish drainage and surfaces on many of our dirt roads. The total value of these two projects is just under $1.1 million.

There are many reasons why we felt justified in asking for both projects but most important is the fact our community has never really had much outside help correcting the serious problems we have to deal with. Our Borough was created out of neighboring townships in 1968 and is really a small land mass which surrounds Pennsylvania's largest natural lake.

The primary reason for creating our community was to divorce ourselves from the dissimilar problems of neighboring farm lands, in order to deal effectively with a serious sewage pollution problem in our lake. We have succeeded in constructing a sewage system which is slated to become operational this spring, but the amount of *loan* money provided by FmHA to construct this system is greater than the total assessed valuation of all real estate in the Borough. The annual sewer payment which each resident will pay is approximately $240. Our $240 payment is greater than ten times the payments which are being made by the residents of our neighboring Wyoming Valley communities around the Wilkes-Barre urban area.

There are many reasons why our local committment to cleaning up our community with sewers is greater than our neighbors, but paramount is the disproortionate share of Federal assistance received. We could dwell on this topic for a long time but the important conclusion our town has already overextended itself for public works must be reached sooner or later.

We at Harveys Lake applied for two projects under the 1976 Act because we need these projects desparately. Our last information on unemployment in the community indicates the November rate was 18.2 percent.

The first project, listed on the attached report was the municipal office/garage complex. Since our community was formed out of two large neighboring townships in 1968, we have held public meetings in the parking bays of a local volunteer fire company building. The winter cold and summer dirt we cope with in these meetings doesn't do much for our civic pride. Furthermore, the ongoing problem of rust and decay of our municipal vehicles is serious because we have no way to shelter and maintain our equipment at the present time.

Our second project, the provision of drainage and surfaces on Borough roads is necessary for a multitude of reasons. This project, at a modest cost of $582,318, would provide 12,335 feet of asphalt paving on 18 existing highly developed dirt roads in the Borough. Furthermore, the cost also covers installation of 11,245 feet of drainage pipe with appropriate catch basins and end walls.

A few notes about the road project we have asked for seem appropriate here. First is we really feel $582,318 is a modest cost when compared with the benefits of this project. As you may know our Lake is surrounded by steep mountains which rise to peaks about 400 feet higher than the Lake surface within a 2,000 foot distance from the shore. The degree of soil erosion and sedimentation occuring along our dirt roads is intolerable.

An example of how serious this erosion is can be found by examining the requests for Federal Disaster Assistance made by our State Council of Civil Defense as a result of the October 8, 9, 10, 1976 rain storms, which were declared a disaster by President Ford. In one letter requesting approval for storm damages, Harveys Lake ranked third among all the communities listed in terms of dollars of damages inspected and approved for payment by the Federal Disaster Assistance Administration. If we had the subject road paving and drainage program complete, it is estimated that 90 percent of this damage would have been avoided. Furthermore, Harveys Lake sustanied similar damages to its roads during the Eloise disaster of 1975, and the Agnes disaster of 1972. All these damages continue to be paid for with Federal money. It certainly seems like a good idea to correct the real problems once and for all, instead of continuing to spend Federal money to fix up recurring damages.

In our Consultant's report you will note that the road project received a very low rating by EDA. We are unable to comprehend why the rating was so low, especially since the project was so conservative. We did not even include curbing in the project because we wanted to keep costs low. Anyone familiar with the redevelopment effort in our neighboring urban areas, will know that Federal money was spent to completely reconstruct at least 80 percent of all streets in Kingston and Wilkes-Barre. In the city of Wilkes-Barre, redevelopment not only paid to replace curbing but they have actually installed cut-granite stone for curbing instead of concrete.

Another reason why our rating was low at Harveys Lake is our per capita income level of $3,900 was high. We have been faced with this problem every time we apply for any kind of assistance and it is unfair to use this criterion in evaluating our community. Harveys Lake is a resort community with only 1,693 permanent residents according to the 1970 census. While the per capita income of a few wealthy residents is high, the vast majority of our citizens have a more modest income. Furthermore, although we have only 1,693 full time residents, the population of our community swells to over 5,000 during the summer months. Half of our housing stands empty nine months of the year, but we must still provide services to these properties on a year-round basis. Our police budget alone takes almost half of our annual revenue receipts.

We at Harveys Lake certainly hope the Senate Committee on Public Works takes our special problems into account when proposing changes in the rating system for Public Works projects.

We cannot support any change in the formula which diverts more money to urban centers or cities when we know that the past treatment of these areas has been more than fair.

MANAGEMENT IMPLEMENTATION ASSOCIATES, INC.,
January 20, 1977.

GUY GIORDANO,
President of Council,
Harveys Lake Borough,
Harveys Lake, Pa.

Dear Mr. GIORDANO: For your information, we have analyzed the results of the Local Public Works Act grant awards for the State of Pennsylvania. For Harvey's Lake Borough's two projects the data is as follows:

1. *Municipal building complex*
   Total Points, 85.08.
   Rank, 189 out of 1108.
2. *Road project*
   Total Points, 81.54.
   Rank, 422 out of 1108.

The latest unemployment rate for the Northeastern Pennsylvania SMSA was 9.6 percent at the time both of these projects were submitted. However, EDA received revised unemployment data for NE Pa. and used that data to update 25 other LPW applications, 7 of which were funded—but the Harvey's Lake projects were not updated, thus losing a number of points because the new rate (103 percent) was higher than the previous one.

Harvey's Lake per capita income was listed at $3,900, which seems high. The higher the figure, the lower the points a community receives in this category. There were also many apparent computer errors which appear to have given advantage to other projects.

We have discussed this situation with EDA's Director of Public Works in the Philadelphia Regional Office, and he indicates you can request a re-rating of both projects. Such a re-rating could be very helpful for a possible second round of funding or if there is money left over from the first round.

In the meantime, you may wish to discuss with your board and Borough Attorney possible legal action or at least injunctive relief to prevent EDA disbursement of money until a fair re-rating takes place, as a 10.30 rate would surely put you in better position now and for a second funding round which is expected by Spring. Just in case you want to request a re-rating, I have attached a letter to EDA which you can sign and mail (send a copy to us too).

Other courses of action available for the building project include:

1. Trying to get the project funded through EDA's usual programs.
2. Try to use a Harvey's Lake Borough unemployment rate, for a possible second round of public works funding, if we could establish a high rate and prove that it's accurate.

The road project was obviously rated much lower, and it might be useful to determine precisely why. However, it seems obvious that EDA did not ascribe any long-term benefits to this project. Even so, we should try to seek alternative courses to this project's funding and would be happy to do so under our retainer.

Please advise on both projects.

Sincerely,

EUGENE F. WALSH, *President.*

BARRY COUNTY COURT HOUSE,
Hastings, Mich., January 20, 1977.

SENATE PUBLIC WORKS COMMITTEE,
Washington, D.C.

DEAR GENTLEMEN: Upon reviewing the list of projects published in the Federal Registry Vol. 41, No. 248 on December 23, 1976, we find that all of the "Local Public Works" grant money awarded to this area went to Kalamazoo County. It would seem to us that this money was distributed very unfairly. Even though we are sure Kalamazoo County's projects were deserving and worthy causes.

Realizing that in the distribution of this amount of money there must be some guidelines, we still feel that the guidelines set forth in this case were grossly unfair to people in the Barry-Calhoun area. Even though our unemployment rate is 9.5 percent (to our knowledge) no projects in our area were approved.

It seems likely, according to recent publication, that another sizeable amount of money will be appropriated by the new Administration for Public Works Projects. We would ask that you and your fellow Congressman study the guidelines for distribution and perhaps arrive at a more equitable distribution.

A reply from you in this matter would be appreciated.

Sincerely,

NORVEL E. THALER, *Clerk.*

STATE OF IDAHO,
DEPARTMENT OF EMPLOYMENT,
Boise, Idaho, January 31, 1977.

Honorable FRANK CHURCH,
Washington, D.C.

DEAR SENATOR CHURCH: I understand that Title I of the Public Works Employment Act of 1976 may be subject to a supplemental appropriation of two to four billion dollars.

The initial distribution of funds was complicated by a vague section in the Department of Commerce regulations published in the Federal Register, August 23, 1976, specifically Title 13, Chapter III, Paragraph 316.9(a). That paragraph provides that allocations to units of local government be made using in part "the average unemployment rate for the three most recent consecutive months for which data is available. . . ." It is not clear whether the phrase refers to those data available at the time the regulations were issued, the time application is made, or the time allocations are made. A variety of interpretations have been made. As a result, applicants were being judged in unemployment rates for a number of different time periods that are not comparable. This question was never fully resolved. Funding decisions were not based on equivalent data. It would be of great help if this section were clarified. Because different areas have different seasonal patterns, the selection of a specific three-month period may not lead to equitable comparison of areas' unemployment situations. I would suggest the use of a twelve-month average.

Paragraph 316.9 also provides that the areas for which unemployment rates are provided can be communities or neighborhoods within counties. We can calculate unemployment rates for subcounty areas but cannot vouch for their accuracy. They are determined by splitting county totals to areas by relationships established in the 1970 census—now seven years old. I would suggest that, with the possible exception of metropolitan areas, data not be accepted below the county level.

Any influence you might bring to bear which would result in legislation which is clearly stated and is equitable in application will be appreciated.

Very truly yours,

GLENN W. NICHOLS, *Director*.

[Mailgram]

IDAHO HOSPITAL ASSOCIATION,
Boise, Idaho, February 8, 1977.

Senator JENNINGS RANDOLPH,
Washington, D.C.

The Idaho Hospital Association is concerned that voluntary non-profit hospitals are not eligible for grants for construction of new facilities under the Local Public Works Capital Development and Investment Act of 1976. Since this act is being brought up for extension at a level of four billion dollars we feel inclusion of voluntary health care facilities is particulary indicated in as much as medicare-medicaid do not allow for excess revenues for capital expansion. We suggest you seek to include the voluntary non-profit hospitals so all Americans can benefit from this measure rather than those only who live near a public hospital.

JOHN HUTCHISON.

INTERNATIONAL CORRESPONDENCE SCHOOLS,
Scranton, Pa.

MR. DICK GREER
Senate Public Works Committee,
Washington, D.C.

DEAR MR. GREER. Since we could not appear in person before your committee, we would like to have the attached "proposed testimony" made a part of the record of the hearings conducted on the new jobs program.

Although we are testifying as a friend of only one agency, the same could be said about most other federal agencies as well as state and municipal. We realize that the funds under the Public Works Bill were originally intended for State and Local use, but the program my client is now operating is being conducted at bases located in the states and he is attempting to find local workers to fill his needs. We hope he can find relief through the work of your committee, as this program is vital to not only the United States but to the local economies around the bases.

We appreciate your getting this into the record.

Sincerely,

T. E. WELLS

PROPOSED TESTIMONY BEFORE THE COMMITTEE

Mr. Chairman, my name is Travis E. Wells and I am speaking mainly on behalf of one of my clients. To assist in President Carter's Emergency Stimulus Proposal, especially in reaching fuller employment by putting people to work, my client would like to help by:

1. Immediately begin placing and training 5,000 apprentices for permanent jobs, and then continue to place and train about 1,000 or more per year to compensate for an attrition rate of 7% expected to continue until 1982, due to retirements and other factors.

2. Place the apprentices in a going program that urgently needs expending. He is now training apprentices in nine trades, with nine more planned for the immediate future and more as required.

3. The program is already registered with the Bureau of Apprenticeship and Training, U.S. Department of Labor, and also with the Veterans' Administration.

4. Vietnam Veterans are especially wanted for the program. The top age for entry into these apprenticeships has already been raised to age 35, which should cover all or most of the veterans who entered service at the time of the Viet Nam conflict.

5. There will be no planning or development costs because the program is operational and has been for about a year. A Prime Contractor handling the Related Training for this program has been in business for over 80 years, and has the resources to handle a rapid increase in number of students. This would mean no delay in the program as present systems are geared to handle a continuous flow of apprentices without the need to wait for classes to be formed.

6. This program is vital to the interests of the United States as it already is meeting some of the goals of the Office of Management and Budget to increase the efficiency of the "Blue Collar Workers" in the Federal Service.

Mr. Chairman, this testimony concerns the program now in operation with the Facilities Engineering Command of the United States Army. Through Apprenticeships, this program is aimed at meeting manpower requirements for maintaining and improving the facilities of the Army bases in this country and abroad. Well trained Journeymen are to the best interests of the United States because they save money and tend to be permanently employed not only in Federal Service but in Industry as well.

The man in charge of this program for the Chief of Engineers is:

Mr. Laurence F. Blodgett, Chief Management Branch,
Office of Chief of Engineers,
DAEN-FEM-M,
Room 1-G-083, Forrestal Bldg.,
Washington, D.C. 20314 Phone: 202-693-7420

He is willing to add to this testimony, if need be.

This is but one agency of the Federal Government that can provide needed jobs, but the same types of programs can be used, and are being used, in other agencies of the Federal Government where skills need developing, and also at the State and Municipal level.

Help in funding these needed programs will make permanent jobs for the participants instead of stop-gap, make-work programs of a temporary nature.

Thank you.

STATEMENT OF THE BOROUGH OF JAMESTOWN, MERCER COUNTY, PA., IN COOPERATION WITH THEIR CONSULTING ENGINEERS, PANTECH ENGINEERS, INC.

On November 17, 1976, along with revisions submitted on December 1, 1976, Jamestown, Pennsylvania applied for a Local Public Works Capital Development and Investment Program Grant to the Economic Development Administration, Philadelphia, Pennsylvania. This grant application was titled "Jamestown Borough Water Supply Improvement Project" and was to replace, relocate, revalve, and renovate a water system that had deteriorated to the point that fire flows were non-existent and hydrants unusable because of excessive water loss. This grant in the amount of $570,000 would provide a loop system for fire protection, a 500,000 gallon stand pipe to insure required residuals and duration for emergencies, construct a pump station and new chlorination facilities to guarantee water level control and meet safe water standards. Although E.D.A. rules state that acceptance or rejection should be received in five (5) days, Jamestown received its rejection eighteen (18) days later on December 20, 1976, long past the deadline for submittal acceptance.

The American public has little or no awareness of the extent of this apparent discriminatory act. It was conceived and carried out while we "small town servants of big government bureaucracy" were mesmerized into thinking that our legislators and the appointed "duty officers" of the Federal Government were all working in our behalf to attack unemployment and provide support to construct critical public works projects and for we little people back home. After all, we weren't looking for "handouts", because you will remember that this attack was first conceived by Washington campaign artists to win votes for the general election of November 1976, with strong public pledges of "truth to America"; "concern for America"; "put America back to work" and "let's help public works projects by spending American tax dollars on the American people".

The time was sure right for this propaganda because we believed them. We needed to believe them because we desperately needed to believe.

According to the legislation that had to do with establishing priorities for projects as they were conceived by the legislators, four major points were stressed. These points are as follows: (1) High unemployment; (2) community need; (3) the project must be ready to go within 90 days; and (4) the project should fit into a long range program, if possible, to benefit ongoing future employment. Now, taking these points one at a time. No. 1—It is interesting to note that the Borough of Jamestown has an unemployment rate of over 20%. This is probably one of the highest unemployment areas of western Pennsylvania. No. 2—Community need. Certainly this water improvement project has been the subject of planning and hope by the community of Jamestown for a number of years.

This project was not recently conceived, but has been in the works for at least two decades. However, some years ago, since the community had very inadequate sanitary facilities, it was decided to push ahead with a new sewage treatment facility and collection system and up-date of the existing limited collection system, in order to meet increased standards by the Department of Environmental Resources, in order to prevent below standard discharges of sewage effluent from entering the waters of the Commonwealth. This was done and the water project took a back seat until after the sewerage project was completed. The people of Jamestown tightened their belts, put their shoulders to the wheel and did accomplish a municipal sewerage treatment facility and collection system that is now second to none in this part of the state. However, they are still faced with a very inadequate potable water system that leaves them with periods of little, or no, water service and certainly no fire protection for residences, let alone, commercial and industrial entities. This was not a project to benefit a few, but a project to benefit the total community of Jamestown Borough. This would have eliminated a potential health hazard and was certainly high up on projects that were considered as needed facilities.

No. 3—Could the project be ready to go in 90 days?—Yes, the project could be ready to go in 90 days and proof of that was evidenced in the application that was submitted. The Borough officials and their consulting engineers spent considerable time and money to assure this point, so that there would be no question and no under-the-table dealing of unfulfilled promises so that this project could be ready in all regards in order to meet the requirements of the legislation. Studies were made, surveys were done, design was completed, specifications written, in order that this project could go for bid in the event that we had a confirmation of the grant. All of this, by the way, done, in order that the Borough of Jamestown might be honest and forthright in the submission of their application as required by the legislation. All of this was done with the understanding that everything would be played straight forward and that the legislation would really be administered and carried out on the basis of the presentations made at various meetings throughout the state when the program was presented to the municipalities.

No. 4—Does the Jamestown Borough Water Project meet the criteria to benefit future employment and assure economic assistance to a community that has such high unemployment? Certainly, of all the points above, the Jamestown Borough application for their water project met this one all the way. The major industry in Jamestown Borough is a paint and varnish manufacturing plant and for a number of years has been plagued with little or no water pressure and no water system adequate to allow them a sprinkler system within their manufacturing plant. This has created problems for the manufacturer and hazards for the community. The manufacturer many times has met with the community and voiced their opinion that they would like to expand and increase their employment and production in the Borough of Jamestown. However, one of the critical aspects of their decision was the availability of adequate water and residual pressures for fire protection. Any such industry, particularly when it exists within a small community, must have adequate fire protection and sprinkler heads in order to protect the industry itself, let alone, the community. Other industries have voiced interest in locating in Jamestown, but have held back on the basis that an adequate municipal water system was not available.

The geographic location of Jamestown Borough provides many benefits such as transportation, recreation and open space to attract new industry and residents. However, the major deterrent to this expansion is lack of an adequate municipal water system. The construction of this envisioned improvement and expansion of the potable water system would have provided an opportunity for the citizens of Jamestown to face the future hopeful of industrial and commercial growth, new jobs and a drop in unemployment. All this would provide a vision to the future of increasing property values and the stigma of defeat removed.

Our daily lives are infested with news of what our legislators and their appointed "duty officers" want. We're continually bombarded with legislation that provides the things the legislators want and the things that they want for themselves, in order to make their station in life more important, more secure, more politically oriented and provide the opportunities for their greater public prominence. But what about "that government of the people, by the people and 'for' the people"? For years we have provided a government "of the people and by the people," and the time is coming, if it isn't already here, when silent America must face the problem and find a solution that provides the last part of that statement from the Preamble to our constitution, that insures us a government "for the people."

If the goal of local, state and federal government, as well as the "voiced" and silent conviction of the peoples of these United States is to pursue a government of the people, by the people and for the people and should remain a free enterprise, capitalistic republic rather than having evolve a socialistic society—if indeed, that is our clearly defined and dedicated motivation of this "land of the free"—then legislation and implementation of that legislation directed to employment and job security during times of economic recession as well as normal and/or maximum prosperity and productivity must be considered and drafted to produce free enterprise employment and/or employment that if subsidized as a catalyst to create jobs, then the product or project considered for public funds should be those that will encourage and provide future long range employment not dependent upon additional and continued future public tax dollars.

Projects such as schools and other institutions of learning should not qualify since their funding results in a facility built with public money and when completed, staffed with public money, with all costs paid for by 100 percent tax dollars that only compounds the burden of a free enterprise society. Schools and associated facilities previously have been and properly are, the prerogative of local school districts with proper state and federal guide lines. But when we take away that decision to construct from local entities, the result is that many schools and universities not willing to be supported by local tax payers on the basis that they are not convinced of their need, are then accepted on the basis that if the money is "free," then the construction of the facility is no longer resisted; forgetting for the moment that the staffing and maintenance of this new facility will still be an unwanted and in most cases unneeded project of continuing financial burden to local, state and federal taxation.

The guide lines to include schools in this funding were switched in mid-stream and does not appear to be the intent of the original legislation, even though a large amount of the appropriated funding was approved for such projects.

This testimony does not intend to take time or privy to place blame and/or cry wolf for past procedures. For both elected legislative government entities and their appointed duty staff along with the local government representatives and their appointed applicant preparation compliance "staff" should be working for the common good of all the peoples of this United States of America.

However, the record of action and/or lack of equitable procedure regarding application preparation, review and project selection must be understood if we are to learn from the mistakes of the past.

First of all other than news articles and editorials along with publications of the "Pennsylvania League of Cities," the government agency, E.D.A., charged with implementing the "Public Works Employment Act of 1976" did not provide guidelines, rules or regulations to municipal officials. Representatives of E.D.A. did respond on a limited basis to answer questions relative to the Act during meetings of Pennsylvania Regional Planning and Development Commissions scheduled, not by E.D.A., but by the P.R.P.D.C. If P.R.P.D.C. hadn't taken it upon themselves to include discussion of the L.PW Act of 1976, most municipal officials would have had little or no contact with E.D.A. These local meetings, such as the one held on October 18, 1976, at the Voyager Inn in Franklin, Pa., did not impart information relative to the actual rating of application review procedures. Nor did the information and discussion prepare municipal representatives for proper preparation of applications. In fact, answers to questions from the floor were vague or conflicting and further—no follow-up or up-date materials of current criteria for application compliance was disseminated to applicants that had filed "preliminary profiles" to provide the applicable rules, regulations and check lists used by the reviewing staff.

Phone calls to E.D.A. personnel were cut short, refused and rude. Attempts to have personal visits with the staff at E.D.A. were denied, even after municipal representatives made the trip to the Philadelphia E.D.A. offices. The response was—"we aren't permitting any personal reviews or meetings."

Without available and complete application information guidelines, rules and regulations no municipal project application can be adequately prepared nor can such applications be honestly and equitably rated for compliance, need, effect or rejection by either the reviewing staff or the "infallible" computer.

The "L.P.W. Application Review Form, Part B.—Application Inventory"—(Form No. E.D.-191B Dated 10-76) wasn't made available to applicants until it mysteriously appeared along with cursory review rejection notices. Then they were used by E.D.A. reviewing staff to find that one item of non-compliance that provided an expeditious review and rejection, thus reducing the number of active applications.

We fully recognize that the task of E.D.A. to carry out this program was next to impossible, what with the short time frame for compliance, minimal staff, too little funds and applications of over 25,000 with the optimistic hope of funding about 2,000. This, coupled with state and territory allocations, constantly changing guide lines and the pressing need to acknowledge and finally reject applications within the brief legislated response period, resulted in the abortion of the need and intent of the Act.

SUMMARY

What does this narrative of testimony have to say that will better serve our legislators, their implementing agencies and the applicant, the Private Citizen?

The following are suggested for your consideration:

1. Congress should consider legislation that maintains compliance with, and the intent of our Constitution and the Bill of Rights;
2. Congress should draft legislation that provides for real public need rather than political impact.
3. Implementing Agencies should establish guide lines considering and directed towards applicant need rather than adapting their responsibilities and paramenters limited by the agencies lack of ability to perform.
4. Implementing agencies should prepare, distribute and review program criteria, rules and regulations to the extent necessary to insure equitable application submittals for all municipalities regardless of the municipalities staffing and professional expertise.
5. Applications should be simplified to preempt the need of "Perry Mason" type professional help in preparation and submittals;
6. Applicants must be reassured by both government and government "duty officers" that legislation and implementation is *neither* politically oriented *nor* slanted to any particular limiting population factor, geographic influence or pre-conceived municipal power block;
7. Municipalities should submit only applications for projects that meet legislative parameters, need and effect. The false impression that "free money" must be given to all for any and all projects—including those previously planned as recognized community needs and those "manufactured" just to take advantage of another "Give away government Grant Program." and finally;
8. Government of all levels and their agencies, along with "vocal" and silent citizens and prospective citizens of this great country must work for the common good within the limits of the proven constitution of the United States to insure the continuance of our free enterprise, capitalistic republic. This can be accomplished by both government and public participation to encourage and provide the incentives and the planning for increased non-public employment.

We thank you for your witness to this testimony and ask that you receive it with the consideration of the purpose of its presentation. That being to communicate with our federal legislative branch of government in the humble hope of building a more responsive government serving a more deserving public.

Respectfully submitted.

ROBERT OWENS,
Mayor.
CHARLES E. GOSS,
President, Pantech Engineers, Inc.

KENNETH WILLIAMSON ASSOCIATES,
Washington, D.C., January 18, 1977.

Mr. JOHN W. YAGO, Jr.,
Staff Director,
Washington, D.C.

DEAR MR. YAGO: We greatly appreciate the opportunity of talking with you about the jobs legislation and the beneficial impact which we believe the renovation and modernization of health facilities could have in such a program. We believe that large numbers of nonprofit, private health facilities are at a stage of readiness when plans for their modernization could be undertaken very quickly. There is a further advantage in respect to the private, nonprofit hospital field as they are often able to move very quickly without having to await all the clearances and delaying procedures which government owned health facilities may face.

It occurs to us that one important question is whether the need is sufficiently large to warrant federal government participation, and we thought, therefore, the following information might be helpful to you and the committee. The Senate, during the 91st Congress, gave considerable attention to this question and the Committee on Labor and Public Welfare Report Number 91-657 provides the following information:

The nation's gravest health facility problem is to modernize or replace health facilities containing some 455,130 acute and long term care beds at an approximate cost of $11 billion.

The above information was supplied by the Department of HEW on the basis of a compilation of figures provided by each state.

The Department of HEW, as of January 1975, compiled the state by state figures of health care facilities needs and they indicate that 146,520 general hospital beds need to be modernized. We are enclosing this tabulation. Taking an average rule of thumb cost per bed, this would indicate a need of at least $8 billion for general hospital beds alone, not including long term care facilities.

The need exists in every state and though there is a major need in large metropolitan centers where the oldest facilities are likely to exist, the need is widespread in rural areas nationwide also. A great many of the hospitals constructed with the assistance of the Hill-Burton program are in need of modernization today.

As we see the situation, the primary goal you have is to cause a maximum amount of employment. The expenditure of funds for health facilities would assist in accomplishing this goal and would at the same time provide a greatly needed public benefit. As discussed with you, therefore, we would urge consideration of funds, at least to the private, nonprofit general hospital field, which would underwrite the costs of the money needed to undertake the renovation and modernization of existing facilities. If the government underwrites the interest costs, it will make possible widespread use of the normal private money market which is desirable and, most importantly for your purpose, it would result in greater employment since many more projects would be undertaken than would be the case if the money was used up in total grants to a limited number of projects.

We are greatly pleased indeed that the committee is giving attention to this whole matter as it considers an expanded public works project. We would be pleased to be helpful in every way.

Sincerely yours,

KENNETH WILLIAMSON.

Enclosure.

TABLE 4. GENERAL HOSPITALS: CONDITION AND NUMBER OF FACILITIES AND BEDS, WITH PROJECTED GOALS, BY STATE, JANUARY 1975 1/

STATE	NUMBER OF FACILITIES				NUMBER OF BEDS					
					EXISTING 2/					
	TOTAL EXISTING	PROJECTED GOALS 3/	NEED TO BE ADDED 4/	NEED TO BE MODERNIZED	TOTAL	CONFORMING	NON-CONFORMING	PROJECTED GOALS 3/	NEED TO BE ADDED 4/	NEED TO BE MODERNIZED
UNITED STATES AND TERRITORIES	6,426	5,717	66	1,864	922,231	721,765	200,446	861,179	42,165	150,500
UNITED STATES	6,289	5,617	62	1,797	912,718	716,597	196,121	870,776	40,885	146,520
ALABAMA	,133	133	-	24	17,011	16,076	935	18,607	2,492	662
ALASKA	17	23	6	8	706	518	188	855	196	166
ARIZONA	81	60	-	14	10,492	9,302	1,190	8,262	-	326
ARKANSAS	101	100	2	14	9,046	8,403	643	9,491	750	328
CALIFORNIA	543	389	2	43	75,551	64,118	11,433	65,166	630	5,974
COLORADO	82	81	-	35	10,541	8,039	2,502	9,640	56	1,657
CONNECTICUT	36	36	-	23	11,509	8,545	2,964	11,148	162	2,648
DELAWARE	7	7	-	5	1,910	900	1,010	1,999	169	930
DIST. OF COL.	13	13	-	4	4,968	4,341	627	5,114	146	627
FLORIDA	206	200	2	28	38,441	34,611	3,830	34,416	901	785
GEORGIA	184	166	3	41	20,467	17,949	2,518	19,979	1,283	1,673
HAWAII	23	23	2	3	2,390	1,983	407	2,006	32	65
IDAHO	46	44	-	16	2,644	2,086	558	2,245	72	320
ILLINOIS	252	220	2	61	54,311	45,728	8,583	47,934	803	4,154
INDIANA	116	108	-	57	21,940	16,272	5,668	22,030	1,056	5,062
IOWA	141	110	-	26	16,752	11,269	5,483	11,476	-	621
KANSAS	152	135	-	60	12,130	8,266	3,864	11,466	514	3,150
KENTUCKY	120	97	2	25	13,852	11,709	2,143	13,516	464	1,566
LOUISIANA	134	135	3	33	15,821	11,672	4,149	16,266	1,037	4,674
MAINE	54	42	-	26	4,291	2,874	1,417	3,866	7	1,642

TABLE 4. GENERAL HOSPITALS: CONDITION AND NUMBER OF FACILITIES AND BEDS, WITH PROJECTED GOALS, BY STATE, JANUARY 1975[1]--CONTINUED

STATE	NUMBER OF FACILITIES				NUMBER OF BEDS					
					EXISTING[2]					
	TOTAL EXISTING	PROJECTED GOALS[3]	NEED TO BE ADDED[4]	NEED TO BE MODERNIZED	TOTAL	CONFORMING	NON-CONFORMING	PROJECTED GOALS[3]	NEED TO BE ADDED[4]	NEED TO BE MODERNIZED
MARYLAND	45	50	5	19	12,323	10,833	1,490	13,828	1,531	787
MASSACHUSETTS	127	128	1	97	25,920	16,222	9,698	26,723	1,391	5,148
MICHIGAN	233	142	-	45	38,149	30,245	7,904	38,501	1,173	6,250
MINNESOTA	183	176	-	49	20,082	15,487	4,595	19,016	67	4,156
MISSISSIPPI	120	121	2	7	11,508	10,776	732	11,751	567	436
MISSOURI	159	149	2	49	25,222	21,023	4,199	22,159	376	1,647
MONTANA	64	65	1	32	3,715	2,203	1,512	3,671	71	584
NEBRASKA	109	93	-	13	8,181	6,729	1,452	6,765	-	750
NEVADA	22	22	-	5	2,817	2,137	680	2,013	3	153
NEW HAMPSHIRE	30	28	-	17	2,961	2,141	820	3,142	238	757
NEW JERSEY	106	112	6	95	25,060	11,306	13,754	26,703	2,606	13,351
NEW MEXICO	43	40	-	4	4,048	3,858	190	2,719	5	244
NEW YORK	343	262	2	122	77,547	54,434	23,113	82,834	6,653	22,425
NORTH CAROLINA	125	134	-	59	20,699	15,651	5,048	22,935	2,401	4,863
NORTH DAKOTA	55	55	-	25	3,833	3,309	524	2,917	2	172
OHIO	218	211	3	74	44,335	39,247	5,088	47,216	3,605	5,018
OKLAHOMA	130	128	-	30	10,426	7,370	3,056	11,065	1,062	2,656
OREGON	82	77	-	17	8,440	7,325	1,115	7,445	53	405
PENNSYLVANIA	253	223	-	108	56,005	38,315	17,690	53,152	251	14,671
RHODE ISLAND	15	15	-	6	3,489	3,170	319	3,348	141	235
SOUTH CAROLINA	97	99	4	14	13,262	11,030	2,232	15,460	2,474	1,598
SOUTH DAKOTA	66	64	-	25	3,471	2,114	1,357	3,464	265	1,177
TENNESSEE	159	139	4	71	19,365	15,979	3,386	22,909	3,624	3,354
TEXAS	529	493	1	99	57,175	45,089	12,086	45,439	359	4,523
UTAH	37	38	1	15	3,660	2,980	660	3,664	311	637

TABLE 4. GENERAL HOSPITALS: CONDITION AND NUMBER OF FACILITIES AND BEDS, WITH PROJECTED GOALS, BY STATE, JANUARY 1975[1] -- CONTINUED

	NUMBER OF FACILITIES				NUMBER OF BEDS					
					EXISTING[2]					
STATE	TOTAL EXISTING	PROJECTED GOALS[3]	NEED TO BE ADDED[4]	NEED TO BE MODERNIZED	TOTAL	CONFORMING	NON-CONFORMING	PROJECTED GOALS[3]	NEED TO BE ADDED[4]	NEED TO BE MODERNIZED
VERMONT	17	16	-	1	2,311	2,121	190	1,759	16	32
VIRGINIA	99	95	4	55	18,300	14,106	4,194	19,684	1,557	4,046
WASHINGTON	112	112	1	41	12,325	11,223	1,102	6,631	-	-
WEST VIRGINIA	78	56	-	25	9,036	5,867	3,169	6,160	76	2,433
WISCONSIN	155	124	-	30	22,547	18,059	4,488	19,124	168	1,885
WYOMING	27	28	1	2	1,693	1,547	146	1,413	27	119
AMERICAN SAMOA	1	1	-	1	150	150	-	116	-	-
GUAM	1	1	-	1	173	-	173	178	5	173
PUERTO RICO	123	66	4	54	8,431	4,841	3,590	8,949	838	3,270
TRUST TERRITORY	9	9	-	8	536	125	411	602	164	354
VIRGIN ISLANDS	3	3	-	3	223	72	151	556	333	151

1/ EXCLUDES FEDERAL FACILITIES, EXCEPT A FEW INDIAN HOSPITALS SERVING THE COMMUNITY POPULATION. ALSO EXCLUDES UNITS OF 10 BEDS OR MORE WHICH ARE ASSIGNED TO LONG-TERM CARE, TUBERCULOSIS, OR MENTAL.

2/ REPRESENTS EVALUATION BY THE HILL-BURTON STATE AGENCIES AS CONFORMING OR NONCONFORMING TO MINIMUM FEDERAL STANDARDS RELATING TO CONSTRUCTION AND PATIENT SAFETY.

3/ REPRESENTS THE SUM TOTAL OF FACILITIES OR BEDS THAT WOULD ACCOMMODATE THE HEALTH CARE NEEDS OF A STATE. THE COMPUTATION BY THE HILL-BURTON STATE AGENCIES PROJECTS THE POPULATION FOR FIVE YEARS AND UTILIZES HOSPITALIZATION EXPERIENCE AND AN OCCUPANCY FACTOR OF 85 PERCENT. IT MAY BE GREATER OR SMALLER THAN THE NUMBER EXISTING. WHEN GREATER, IT MAY REFLECT INCREASED POPULATION AND/OR AN INCREASE IN EXPECTED HOSPITAL UTILIZATION. IF SMALLER, IT MAY BE DUE TO PROPOSED MERGERS AND/OR THE PHASING OUT OF SOME "EXCESS" OR SMALL FACILITIES.

4/ REPRESENTS TOTAL FACILITIES AND BEDS THAT NEED TO BE ADDED IN INDIVIDUAL SERVICE AREAS WITHIN A STATE DURING THE FIVE YEARS PROJECTED. WHILE MANY AREAS NEED ADDITIONAL FACILITIES AND BEDS, SOME HAVE AN "EXCESS". THUS, STATE AND NATIONAL TOTALS OF EXISTING FACILITIES AND BEDS PLUS THOSE THAT NEED TO BE ADDED WILL NOT EQUAL THE PROJECTED GOALS.

MUNICIPALITY OF KINGSTON,
Luzerne County, Pa. January 21, 1977.

To: Senators Randolph, Stafford, Heinz and members of the committee.
From: Municipality of Kingston, Luzerne County, Pa.

At the invitation of Gerry Goodwin, of the State Association of Boroughs, I am writing to express my views on the Federal Public Works Act as it presently exists, and to make some suggestions as to how the process could be improved.

Overall, I believe that EDA did a commendable job in implementing the Public Works Program and that Congress, in enacting the Public Works Law, did not provide enough time for EDA to gear up in order to process the applications. Further, the number and dollar amount of the applications were greatly in excess of the anticipated volume.

I wholeheatedly support an extension of the Public Works Act, but I believe a realistic processing time should be allowed so that the errors which are committed due to the time constraints involved will not reoccur.

I was surprised to see that, under the existing law, many special purpose units of government such as school districts or sewer authorities were funded. My understanding of the intent of the law was that preference would be given to units of general purpose local government, to wit, these units were provided with five (5) extra bonus points. Therefore, and in order to insure that units of general purpose local government are given preference, a greater number of bonus points should be considered, perhaps ten (10) points.

Finally, I believe that special consideration in the form of bonus points should be given to those communities who have, over the past several years, invested their own funds in preparing and finalizing either architectural or engineering plans for a particular project. These communities have shown their good faith and need for a project by spending money to prepare the plans, and these communities should receive preference over those communities who are basically taking a "flyer" on a project which they may or may not need, but for which Federal funds may be available. In order to submit their applications to EDA, this latter group of towns have only had to expend a minimum amount of money on very preliminary architectural or engineering work; and, then, if the grant is approved, would have the Federal Government pay for the completion of these plans. Somehow, those communities who have already invested a substantial amount of money in completed architectural or engineering plans should receive some type of preference.

I congratulate you on your new position and I applaud the efforts of the Senator in seeking out the opinion of local governments prior to his testimony before the Senate Committee.

Should you have any questions regarding this letter, please do not hesitate to contact me.

Sincerely,

RAYMOND F. LOWERY, JR.,
Administrator.

CITY OF LACONIA, NEW HAMPSHIRE,
January 7, 1977.

MS. JANE WORSOWICZ
Manchester, N.H.

DEAR MS. WORSOWICZ: As per our conversation, below is a summary of the cost to the city of Laconia to prepare its E.D.A. Local Public Works applications. These were completed as the advice we received indicated that there was a reasonable chance Laconia could receive funding. Please take note that this does not include expenses to other branches of government. This must be calculated in also, as it does represent total money spent per application; all of it ultimately coming from the same source.

Applicant Costs

Lakeport water tank, Union avenue municipal building:	
Expenses to November 16, 1976	$4,601.13
From November 16 to January 1, 1977	292.67
Courthouse relocation	1,768.56
Middle school gym floor	3,940.65
Total	10,603.01

Attached is a copy of my memo to the City Manager outlining pre-November 16, 1976, costs. Please use this as an example of the above calculations.

If the latest bill for supplemental funding is approved and signed, we may be resubmitting our applications. I would appreciate any advice you could give us as our past information was faulty, although it came from an apparently reliable source—E.D.A. Three inviolable precepts were given to us by them as guides; first, there was to be an equitable, geographic distribution of grants; second, projects should not be much over $500,000 to facilitate the first guideline; third, improvements should be a vital element in the community's infrastructure. As you can see, none of these seem to have been followed. If, what turned out to be the final formula was told to us, none of the costs, both local and otherwise, would have been necessary.

E.D.A. could have simplified this entire process by requiring final plans and specification with all applications. Then, only qualified applications would have been received and false hopes not built up.

Citizen participation has been severely hurt by this program as many small town citizens spent time and personal funds towards applications which never really had a chance. In some communities, this became a town project with everyone pitching in for the betterment of the area. If funds had even gone to adjacent communities, then at least their unemployment would have been effected. Instead, New Hampshire's money has gone to solve Massachusetts and Vermont unemployment problem. To rally the support of the small town citizen behind another grant program after this experience will be difficult.

Please take this letter as being one voicing true concerns with possible solutions and not just one filled with complaints. Although the time frame for applications was tight, if more stress was placed on production and its costs and less on procedure; if the larger concern of making an application simply for both applicant and reviewer and less upon complexities which would allow disapproval on technicalities; and if advice was given which was accurate, the program would have worked. I trust the Senator will keep these points in mind when reviewing the supplemental appropriation.

If I can be of any further assistance, please do not hesitate to contact me.

Very truly yours,

PETER B. HANCE,
Director of Planning.

MEMO

To: Kenneth D. Boehner.
From: Peter B. Hance.
Date: November 16, 1976.
Re: EDA city costs.

1. Application preparation to date:	
A. Indirect, salaries, and planning department:	
Peter Hance. 7 d at $58.29	$408.06
Dennis Phelan, 4 hrs at $5.73	22.94
Rachel Higney, 5 d at $31.79	158.99
John Ashey, 2 hr at $8.77	17.55
John Murray, 4 d at $29.98	119.92
Total	727.46
B. Indirect, salaries, parks and Recreation Department:	
Richard Tapply 3 ds at $48.52	145.56
Alice Trudgeon 3 d at $26.87	80.62
C. Indirect salaries, waterworks: Roger Mathewman 6 hr at $8.11	48.66
Total indirect	1,002.30
D. Direct, planning department:	
Mileage, 168 mi at .14	23.52
Supplies, estimate	25.00
Copies, 1645 at 2.5 cents	41.13
Postage	9.18
Total city application cost	1,101.13

1. Application preparation to date—Continued	
E. Application cost, others:	
Union Ave. Municipal Building	$2,200.00
Water Tank	1,300.00
Total	3,500.00
Application total	4,601.13
2. Approval costs:	
A. City direct	
B. Administration, E.D.A., covered	
1. Union Avenue municipal building	2,000.00
2. Water tank	5,000.00
C. Engineering, E.D.A., covered:	
1. U.A.M.B.	26,950.00
2. Water tank	40,250.00
D. Engineering Direct:	
1. U.A.M.B.	9,500.00
2 Water tank	19,700.00
Total	[1]103,400.00
Total Costs:	
City indirect application	1,002.30
City direct application	98.83
Other application	3,500.00
City approval	
Administration, E.D.A	7,000.00
Engineering, other	29,200.00
Grand total	40,801.13

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[1] Figure plus city costs.

LAKES REGION PLANNING COMMISSION,
Meredith, N.H., January 12, 1977.

Re: Fund allocation under the local public works capital development investment program.

Hon. JOHN A. DURKIN,
U.S. Senate,
Washington, D.C.

Dear SENATOR DURKIN: The Lakes Region Planning Commission (LRPC) is deeply concerned with the obvious inequities present in EDA's allocation of funds under the Local Public Works Capital Development and Investment Program. Over a period of several months, the LRPC has had the opportunity to work with sixteen towns, cities and agencies in the preparation of grant applications under this program. Subsequently twelve applications were submitted and none were approved.

The following set of circumstances were understood by the LRPC on the basis of continuous and in-depth discussions with representatives of EDA both in Concord and Philadelphia:

That approximately $10,000.00 would be allocated to New Hampshire;

That the funds would be allocated so as to alleviate unemployment problems in the State of New Hampshire;

That grant applications in excess of $500,000.00 would not be received with favors; and

That there would be sub-state equity in the allocation of such funds.

In fact, the only circumstance that appears to have been met was the initial one, which the EDA had to meet due to the legislation itself. Even then, while the allocations meet the letter of the law, they hardly meet its intent.

Specifically, the majority of funds allocated to New Hampshire was allocated to border towns which justified their applications on the basis of unemployment in Massachusetts or Vermont. For example, $2.5 million (twenty-five percent of the entire allocation for New Hampshire) was distributed to communities in the Plaistow Job Center. During the reporting period under the Act only 213 unemployed New Hampshire residents lived in that Job Center. This was less than two percent of the total of the State's unemployed and reflected an unemployment rate of 2.6 percent.

Similarly, $755,000.00 was allocated to the Town of Salem with 473 unemployed New Hampshire residents and an unemployment rate of 3.1 percent.

These facts should be contrasted with the Laconia Job Center, from which five applications were submitted, which had 570 persons unemployed and a rate of unemployment of 4.2 percent.

It is clearly evident that the majority of funds allocated to New Hampshire under this Act went to that portion of the State with the strongest and healthiest economy and the lowest rate of unemployment. This, by itself, is contrary to my understanding of the intent of the Act. The effect was to assure that a major portion of the funds allocated to reduce the hardships of New Hampshire's unemployed, benefited unemployed persons in Massachusetts and Vermont. These States already had significant allocations of funds for their own use. To summarize:

Approximately $10,000.00 were allocated to New Hampshire with a major portion being funneled into the strongest economic section of the State.

The allocated funds did not strike at New Hampshire areas with most significant unemployment.

Allocations in excess of $500,000 constituted a major portion of the program (despite local EDA assurances to the contrary).

There was no sub-state equity. (I.e. only border communities and Manchester benefited.)

Many small communities expended much time, effort and resources on preparing applications based on contact with EDA, and received less than courteous handling outside of the State, with several finding their status through the news media.

In conclusion, I recognize that not all applications could be approved given limited funding. My concern is that Federal agencies administering these programs do so in a manner that generates maximum benefits. In my opinion, this objective has not resulted from the Local Public Works Program. The Economic Development Administration should be more sensitive to this problem, particularly in the event additional funding is directed into this or similar programs in the future.

Cordially,

David G. Scott,
Executive Director.

Lebanon County Commissioners,
Lebanon, Pa., February 4, 1977.

To: Senators Randolph, Stafford, Heinz and Members of the committee.
From: Lebanon County, Pa.

The Lebanon County Commissioners have instructed me to write you concerning our thoughts on the Public Works Employment Act of 1976.

We submitted an application for a new Community Correctional Facility, which took a considerable amount of time and money in the preparation of data and drawings. It seems that we went to all this work to no avail as our application was, we feel, unfairly denied.

In reviewing our efforts, we thought it best to write you and list a few of our concerns.

One of our concerns is the decision to define school districts, in the regulations, as a unit of local government. This appears to be inconsistent with the definition contained in the act. We do not believe it was the intent of Congress to include them. We would recommend school districts be excluded in any future public works programs. Declining enrollments, defeated local referendums for capital expenditures, and questionable use of public works money for projects add weight to this recommendation.

The requirement for a 90 day start-up of an approved project has caused many local governments to spend a considerable amount of tax dollars for engineering and architectural fees in preparing plans in anticipation of a project award. In thousands of cases local tax dollars have been expended to develop plans that will not be utilized because of a failure to qualify for funding of the project. Many local governments including our county, were under pressure to expend funds for preparation of plans and drawings because of pressure from within the community. Not to apply for federal dollars, even though the chance of success was minimal, would not have been politically expedient.

While we do not disagree with the intent of the guidelines established, more information should have been released concerning methods and criteria of final evaluation. This would have enabled local officials to better assess their chances before risking larger expenditures of funds for application preparation.

More consideration should have been given to the merits and potential impacts of specific projects rather than the eligibility of the overall community. Lebanon county, for example, selected the Community Correctional facility as its project, largely because funding would spur the depressed construction industry with unemployment rates in excess of 40 percent. In addition the project would have provided for permanent employment of significant numbers of professional and para-professional personnel who are also experiencing a locally depressed job market. It appears that this kind of specific project impact was not considered in the project rating system.

Summarily we do support the Public Works Employment Act in concept. However, significant changes should be made in the eligibility criteria with more emphasis given to the actual project and its utilmate impact. In addition, we would appreciate complete clarification of the actual methods utilized in project selection.

Thank you very much for allowing us to submit our comments.

Very truly yours,

DONALD J. RHINE, *Chief Clerk.*

LORD FAIRFAX PLANNING DISTRICT COMMISSION,
Front Royal, Va.

Re EDA public works projects—selection.

Hon. HARRY F. BYRD, Jr.,
U.S. Senator,
Russell Building,
Washington, D.C.

Hon. J. KENNETH ROBINSON,
U.S. Congressman,
Cannon Building,
Washington, D.C.

GENTLEMEN: On December 23, 1976 the Economic Development Administration published in the FEDERAL REGISTER a list of jurisdictions in Virginia that were selected to receive EDA funding under the Local Public Works Employment Act, pending final clearance. There are a total of 13 projects to be funded from the $21.8 million allocated to the Commonwealth of Virginia.

The criteria for selection were specifically laid out in the EDA regulations and guidelines and are as follows:

1. The number of unemployed workers in the project area over the three most recent consecutive months. This factor constitutes 30 percent of a project's rank.
2. The unemployment rate in the project area over the same 3 month period; 25 percent of project's rank.
3. The percent of the overall cost that would be used for labor costs (labor intensive factor): 30 percent of project rank. Any project with a 35 percent to 80 percent figure for this category was to get the full 30 percent rank.
4. The level of income prevailing in the project area; 15 percent of project rank.
5. Bonus points of: 10 percent for projects with long term benefits, 5 percent if project applied for from a general purpose unit of government, and 5 percent if project related with area plans.

The critical criteria are numbers 1 and 2, the unemployment statistics, since most projects would get the full benefit of the remaining criteria and bonus points.

Of the Federal Public Works funds, 70 percent were to go to areas with unemployment rates in excess of the national average (7.8–7.9 percent). The remaining 30 percent of the total Federal funding was to go to areas below the national average with priority being given to localities having a rate between 6.5 and 7.8–7.9.

The following is a listing of those localities in Virginia that were funded together with the amount of that funding and their comparable unemployment statistics.

Jurisdiction	Amount funded	Unemployment statistics			
		June, July, August averages		July, August, September averages	
		Percent	Number	Percent	Number
70 percent category:					
1. Westmoreland County	$2,585,606	11.0	609	10.9	599
2. Lancaster County	787,500	21.1	1,039	20.9	1,022
3. Giles County School Board	628,362	11.5	828	11.3	800
4. Halifax County	5,000,000	6.7	881	6.8	890
5. Northumberland County School Board	423,205	16.2	718	16.0	706
6. Essex County School Board	1,761,955	5.9	225	6.8	263
7. City of Norfolk (Norfolk, Portsmouth, Virginia Beach)	1,999,992	NA	NA	5.9	17,625
8. City of Portsmouth	2,129,961	NA	NA	5.9	17,625
9. Commonwealth of Virginia	270,725	NA	NA	NA	NA
30 percent category:					
10. Upper Valley Regional Park Authority	944,391	NA	NA	NA	NA
11. City of Danville (Pittsylvania County)	2,219,491	7.7 (6.1)	2,034 (1,776)	6.7 (5.3)	1,783 (1,557)
12. City of Staunton (Augusta County)	1,483,416	6.7 (5.6)	934 (1,293)	6.3 (5.3)	865 (1,198)
13. Washington County	2,104,220	4.5	790	4.2	738

COMPARABLE UNEMPLOYMENT FIGURES FOR COUNTIES AND CITY WITHIN THE LORD FAIRFAX PLANNING DISTRICT

	June, July, August averages		July, August, September averages	
	Percent	Number	Percent	Number
Clarke County	7.9	408	7.2	376
Frederick County	7.8	1,372	7.1	1,263
Page County	6.6	562	6.5	549
Shenandoah County	5.5	653	5.4	643
Warren County	6.4	559	6.2	547
Winchester	6.7	642	6.1	591

Two sets of employment figures were used in the chart because, depending on whether an application was filed early or late, the "most recent 3 consecutive months" would change. The period for filing applications extended from October 26, 1976 to December 3, 1976.

It is clear from the above chart, using the unemployment figures furnished by the Virginia Employment Commission, that:

1. Four of the nine projects funded in the 70 percent category did not have unemployment rates in excess of the national unemployment rate (7.8–7.9 percent) as required.

2. At least two of the four jurisdictions funded in the 30 percent category did not fall within the priority range of 6.5 percent to 7.8 percent unemployment rates which were set out in the EDA regulations and guidelines.

The question is, how did these six projects receive the priority rating that they did out of the 350 statewide projects that were filed?

Four counties and one city in the Lord Fairfax Planning District had an unemployment rate in excess of at least 3 of the jurisdictions funded, and Clarke and Frederick County had unemployment rates in excess of 7 of the 13 funded projects. Frederick County, in addition, had a total number of unemployed (1,263 persons) that exceeded 7 of the 13 jurisdictions funded.

The EDA Office in Richmond, when contacted (Mr. Harry Weinstock), explained that many of the jurisdictions with low unemployment figures showed employment commuting patterns into the county from counties bordering theirs and used the average of all affected counties to give their projects better statistics and rank. When asked what standard was used to justify such a procedure, Mr. Weinstock said it was a judgment made by the application reviewers. Most all counties and areas in the state have workers who commute into the area from counties with higher unemployment rates and could have improved their standing and rank considerably were this procedure to be used.

Nowhere in the EDA regulations or guidelines is the mention of the allowable use of in-commuting data or what standard was to be used to differentiate between significant and non-significant in-commutation to justify using the unemployment figures of an adjoining jurisdiction. In addition, there was no indication from EDA either written or verbal that this questionable procedure would be allowed or that its use would be so crucial to the outcome of the final project ratings.

In effect, at least half of the projects and jurisdictions that were funded do not represent the areas of greatest unemployment in the State and, as a result, some areas that are truly suffering from unemployment have been by-passed. There are at least 11 such counties or cities in the State with over 9 percent or more unemployed who received no funding while Washington County, with a 4.2 percent unemployment rate received over 2 million dollars in EDA money.

On behalf of the member local governments in this District, I must formally protest the selection criteria used in selecting the EDA funded projects that were selected. This protest is based on the facts, selection criteria, and statistics stated previously in this letter. Further, I formally request that your office look into this matter and advise this office of the results of your efforts. It is clearly obvious that serious discrepancies exist in the methodology of selecting the EDA funded projects, otherwise some of our member jurisdictions would have qualified for funding.

Your consideration of and reply to this request as soon as possible would be greatly appreciated.

Sincerely yours,

R. Edward Duncan,
Executive Director, Associate AIP.

Statement of Pamela MacEwan, Women's Lobby, Inc.

Mr. Chairman, Members of the Committee, I am Pamela MacEwan. I am representing Women's Lobby, Inc. The Lobby is a national organization with affiliates in forty states. We work solely on legislation pertaining to women. It is a pleasure to appear before you today.

The Women's Lobby commends the objectives of the Local Public Works Capital Development and Investment Act. We applaud the members of the Public Works Committee for their swift action of this measure. We want to discuss the priorities of this bill and suggest specific improvements to insure that the employment needs of women are met.

These are some of the facts about women and work:

Women are 47 percent of the work force; well over 35 million women are in the labor force.

Over 19 million (59 percent of women workers have husbands; fully half of these women must work to bring total family income over $7,000.

Over 6 million women with 8 million children are raising children alone. These female headed families are 15 percent of all families; 3 million are dependent upon Aid to Families with Dependent Children for poverty level support; the median income of all female headed families is only $6,000.

Women are often the sole support of their families and women must have priority for jobs at a decent wage. These women have special needs for child care services to enter and continue in the labor force. They need flexible hours and permanent part-time jobs to fulfill their family needs.

Women in their middle years, when their children are grown are employed in increasingly large numbers at low skill jobs. Should they lose their husbands through death or desertion, they are ineligible for social security (unless they have young children) and they have no skill training for employment.

Women suffer more from unemployment and public employment programs: The rate of unemployment for women—8.6 percent—is consistently higher than the rate for men—6.8 percent.

The most needy women—those on AFDC, only 5.9 percent have been unemployed for less than one year.

The employment program designed to meet the needs of poor women, the WIN program is a miserable failure. In 1975 1,216,000 women were registered in WIN; 102,000 received a job placement. And men are placed and hired first!

There are no adequate child care services for working mothers. The 1973 AFDC survey shows that over 62,000 AFDC families requested child care in order to work, but none was available. A 1975 study concluded that one out of six unemployed mothers of preschool children would seek work if day care were available and if they perceived jobs with adequate wages to be available. (Richard Shortlidge, 1975, Dual Careers, Vol. IV, Ohio State University)

Without a public policy of part-time or flexible hours employment, parents have no choice but total unemployment and frequently, welfare dependency.

Keeping these special needs of women in mind, let me address the specific changes the bill needs to meet the employment needs of women, especially poor women.

Our concern with this bill is two fold. First there is no special section addressing the employment needs of women as Senate Bill 427 addresses the needs of poor youth. While we recognize the importance of meeting the needs of unemployed youth in the inner city you must realize that young women are unemployed in much greater numbers. We urge you to put in a similar section dealing with women.

If the committee is not willing to add this section we recommend that you include a provision to enforce an affirmative action plan. We suggest a process resembling arbitration in order to quickly settle employee disputes. We also recommend that the regulation promulgated by the Secretary of Labor include; (1) a time limit not to exceed six months for a decision to be rendered to the individual so that the complaintant may be allowed to explore other avenues for recourse, and (2) affirmative action plans resemble those of OFCC. In a bill of this scope, it is absolutely essential that established legal rights have expeditious and attainable legal remedies, and that broad policy statements be translated into effective enforcement.

We would recommend as a priority, criteria for access to jobs under this bill. This would ensure coverage of the currently unserved WIN enrollees. 97 percent of Public Assistance recipients are women.

It is vital that this bill contain some recognition of the problems of the silenced majority in this country—women. We know that when we are not specifically included and mentioned, we will be excluded in practice. Women are no small, special interest group with no claim to attention in this legislation. Rather we must be served, or the bill is a hollow farce serving the interests of a minority of white men.

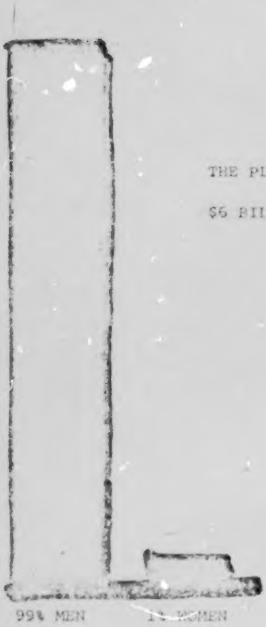
We want to thank you for the opportunity to discuss this important piece of legislation with you today. We hope the needs of women will not go unheeded. Thank you.

HR 11 DISCRIMINATES AGAINST WOMEN

THE PLAN DOES NOT MATCH THE NEED

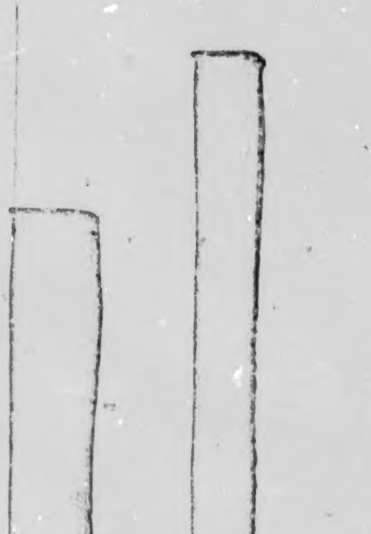
THE PLAN

$6 BILLION FOR PUBLIC WORKS JOBS



The NEED

UNEMPLOYMENT



OFFICE OF THE MAYOR,
Milwaukee, Wis., January 17, 1977.

Senator JENNINGS RANDOLPH,
Chairman of Public Works,
Dirksen Senate Office Building, Washington, D.C.

DEAR SENATOR RANDOLPH: As you are undoubtedly aware, there is a great deal of discontent among America's cities concerning the distribution of the public works funds authorized by Congress. Indeed, in some instances, the feeling is one of pure fury.

You may find it somewhat surprising to hear from the Mayor of Milwaukee on this matter, as Milwaukee was one of the cities (including New York, Boston, St. Louis, Buffalo and Newark) which did receive a reasonable allocation based on relative need.

However, none of the other cities in Wisconsin with high unemployment rates received any funds, and it appeared that the reason they did not was because Milwaukee received more than it was entitled to.

Such was not the case, however.

Milwaukee (and New York, Boston, St. Louis, Buffalo, Newark) ended up with a fairly reasonable allocation by pure chance as a vagary of a basically inequitable system.

But the other cities of Wisconsin did not suffer because Milwaukee received too much, but because other cities in other states with much lower unemployment rates received more than they were entitled to on the basis of need.

This was a result of the inequitable distribution system set up by the Commerce Department's regulations.

The only distribution formula called for in the Act of Congress was that seventy percent of the funds would go to areas with unemployment above the national rate (7.8%) and thirty percent to communities with unemployment between 6.5% and the national rate.

However, the regulations established a set of false criteria which created the inequities.

First the money was distributed by regions, and the regional office decided that the money would be distributed to the states on a basis of thirty-five percent of the funds being reserved for states with an unemployment rate above the national average.

The state rate of unemployment is not the significant factor, of course, but the rates within its individual communities. The result was that all of Wisconsin's cities with high unemployment were frozen out of thirty-five percent of the funds within their region.

But the worst inequities were created when EDA arbitrarily applied the 70–30 formula on a state-by-state basis.

This meant that states with many cities with high unemployment rates were pitted against each other, and cities with high unemployment rates received no funds whatsoever, whereas cities in other states with significantly lower unemployment rates received large grants.

Another inequity was created by regulations which permitted suburban communities to use inner city unemployment rates in their applications. In some cases, this resulted in the absurd situation where the impoverished inner city received no funds and the relatively affluent suburbs received grants.

Another inequity arose from the fact that school districts were eligible to receive funds on their own. Congressman Obey (whose cities received no funds) cites a case where a school district received enough funds to build a school for which the voters had rejected a bond issue.

Finally, cities were placed in a bad competitive position vis-a-vis Indian reservations. There is no question that unemployment is extremely high among Indians and that they should receive funds, but those funds should be allocated separately, with the cities not having to compete for them. Wisconsin has a large Indian population and Indian reservations received $4.5 million of Wisconsin's $21.7 million allocation, whereas cities with high unemployment received no funds whatsoever.

In summary, I would recommend that there be no formula allocation to the states within a region; that the 70–30 formula be applied nationally, and not within states; that suburban areas not be entitled to use inner city unemployment statistics; that only general purpose governments receive funds, and that Indian funds be allocated separately.

Indeed, the 70–30 formula could be abandoned entirely. The Office of General Revenue Sharing now has figures on unemployment for every city, county and township in the United States, and the funds should be allocated accordingly. This would mean that a city with 6.9% unemployment (below the national average) would receive funds before a city with 9.5% unemployment (which, in the previous allocation, did receive funds).

The most equitable formula would be one which gave equal weighting to the Office of General Revenue Sharing's countercyclical figures and its unemployment figures. This would assure that the cities with high unemployment would receive equitable distribution and that the public works projects would be located in communities where they were most needed.

Sincerely,

HENRY W. MAIER, *Mayor*.

P.S.—I am attaching a copy of a letter we sent to the Assistant Secretary for Economic Development of the Department of Commerce on September 14th, commenting on the proposed regulations in which I predicted the inequities that have, in fact, resulted through the administration of the Act.

OFFICE OF THE MAYOR,
Milwaukee, Wis., September 14, 1976.

Re comment on regulations for title I of the Public Works Employment Act of 1976.

Mr. JOHN W. EDEN,
Assistant Secretary for Economic Development, U.S. Department of Commerce, Washington, D.C.

DEAR MR. EDEN: The following comments are submitted to you in recognition of the introductory statements issued with the regulations published in Vol. 41, No. 164, Federal Register, August 23, 1976 on implementation of Title I of the Public Works Employment Act of 1976. These introductory remarks note that:

This is a new and widespread program, and all suggestions received will be carefully considered. If a sufficient number of valid comments raising significant issues are received, these regulations may be amended and republished.

I hope that the reasonableness of these comments is acknowledged and that modifications to the regulations are made in order to provide for greater equity in project selection and fund distribution.

SECTION 316.7(a) ALLOCATION OF FUNDS

The 70 percent and 30 percent split of funds allocated to state or local governments discussed in this section of the regulations may result in numerous instances of intra- and interstate grant award distortions. For instance, with the state planning ceiling amount divided into the 70 percent and 30 percent categories, it is entirely possible that the 70 percent funds might be oversubscribed to a much greater degree, and earlier, than the 30 percent funds depending on the number of applications. Then too, it is conceivable that projects ranking high in the 30 percent category might actually receive more funds than similar projects ranking low in the 70 percent category. The obvious injustice that might occur here, if logically extended, would be the situation wherein, assuming a national average unemployment rate of 7.4 percent, one community with a rate of 7.5 percent might be awarded no funds while another community with 7.4 percent or 7.3 percent might receive X million of dollars (other things being equal such as number of unemployed, and project benefits.)

This situation of the "70–30 division" problem described above within a state, could also exist with similar distortions between states.

It seems to me that EDA's regulations must address this problem at the outset, not after the 120 day period when certain adjustments to regional or state allocations may be made as proposed in Section 316.8 (d). Specific measures must be included in the regulations to mitigate against this "70–30 division" problem and reduce planning inequities.

SECTION 316.8(b) STATE PLANNING CEILINGS

The wording of this section indicates that individual states within a federal region will participate in the regional allocation on the basis of their share of unemployed workers and their relative unemployment rate above the national average. Sixty-five percent of the regional allocation will be distributed on the basis of numbers of unemployed and 35 percent will be distributed on the unemployment severity factor.

My primary concern is that apparently no part of the 35 percent of the funds to be distributed on the basis of unemployment rates will be available to local jurisdictions with unemployment rates above the national average where the statewide unemployment rate falls below the national average.

In effect, this type of discrimination introduced in the regulations can easily produce the situation wherein one local political jurisdiction in a state benefiting from the 35 percent provision could be eligible for considerably more funds than a local jurisdiction in another state, not benefiting from the provision, and both jurisdictions having the same unemployment rate.

Also conceivable would be the situation where more money would be available for local jurisdictions with unemployment rates below the national average because they are located in a state with an unemployment rate above the national average than would be available for local jurisdictions with the same or higher unemployment rates located in another state with an unemployment rate below the national average.

The "freezing out" of communities with severe unemployment problems, in states relatively well off, from 35 percent of the regional funds would seem to run counter to the intent of Congress in directing that the "Secretary shall consider among other factors (1) *the severity* and duration of unemployment in *proposed project areas*" . . . (Section 107, Title I, emphasis added).

In fact, the only provision in the Act which touches on the subject of treating geographic areas larger than project areas, or state or local governments, is the statement in Section 107 that "Such rules, regulations and procedures shall assure that adequate consideration is given to the relative needs of *various sections of the country*." (emphasis added).

Interestingly, the inequity introduced in the regulations on this point was not carried forward into the "Guidelines for Local Public Works Capital Development and Investment Program" also issued by EDA on August 23, 1976. Instead the Guidelines indicate that "35 percent of the funds will be set aside as planning allocations to individual States based on the relative severity of unemployment for each State (i.e., the relationship between a State's unemployment rate and the national unemployment rate) averaged for the three most recent consecutive months." (Page 10).

Neither the law nor the guidelines say that 35 percent of the funds should go only to states with unemployment rates in excess of the national average. Certainly states with unemployment rates in excess of the national average should get more than states with rates less than the national average, but that does not mean that states with rates less than the national average should not receive any of the funds based on relative severity of unemployment.

I feel the guidelines are a more correct interpretation of the Act and certainly provide greater equity in treatment of local areas.

SECTION 316.10(a)(3)(II) PRIORITY CONSIDERATIONS

Another particularly troublesome problem injected into the regulations is the provision that applicants can utilize an extended geographic area for the data base in computing a project's basic rank.

The language in the regulations reads:

"Applicants who anticipate the project labor requirements will draw upon the unemployed and underemployed labor resources of other jurisdictions outside the immediate project area (such as multicounty area) will be given priority consideration on the basis of the unemployment rate prevailing in the extended geographical (labor market) area. Similiarly, the basic rank computations discussed above will be computed in aggregate on data provided for the extended geographical area." (Section 316.10(a)(3)(ii).)

The Act itself only provides that unemployment in adjoining areas shall "be taken into consideration" (Section 108(f) Title I, Public Works Employment Act of 1976) when determining the rate of a particular applicant local government.

It therefore appears that the EDA regulations have gone far beyond the Act in interpreting this particular provision on applicant unemployment data. However, beyond this criticism is the point that the regulations provide for no submission of substantiating data on labor market area and no responsibility for verification of such submittals.

Without any kind of proof or vertification, the regulations would graciously accommodate a gold-coast suburban government in utilizing the unemployment rate and number of unemployed individuals of an adjoining central city for determination of 55 percent of their project's basic rank. In so doing, their project's basic rank could actually be higher than that of a comparable project from the central city used as their primary data base.

I cannot believe that Congress intended that the term "be taken into consideration" would be the loophole by which practically all local jurisdictions could qualify for priority funding simply by defining their labor market area to their best advantage.

FINANCING

Finally, the regulations do not deal with the matter of financing of the project in the sense that a local jurisdiction will most likely need to have the total federal share available if it is to contract for the construction. The other alternatives would be to have on hand enough local funds to cover such contractual obligations (and this would seemingly be in violation of Section 316.10(b)(9)) or to borrow the necessary sums.

It would seem more appropriate that a letter of credit financing mechanism for the federal funds be authorized as is the case in the Community Development Block grant program administered by the U.S. Department of Housing and Urban Development.

I hope the above comments are taken into consideration and that there can be a restructuring and amendment of the regulations issued August 23, 1976 in order to strengthen the effectiveness and equity of the program.

Sincerely,

HENRY W. MAIER, *Mayor.*

BOARD OF COUNTY COMMISSIONERS,
MINERAL COUNTY ADMINISTRATOR,
Hawthorne, Nev., January 6, 1977.

HON. JENNINGS RANDOLPH,
Chairman, Committee on Public Works, U.S. Senate, Dirksen Building, Washington, D.C.

DEAR SENATOR RANDOLPH: It has been brought to our attention that the Public Works Employment Act of 1976, or a similar bill, will probably receive funding in 1977. It is of great interest to us that a provision be made to this bill in order to assure a more reasonable competition for and distribution of funding.

The problem is that the present guidelines for funding of public works projects are based almost exclusively on "high unemployment rates." This automatically excludes certain areas with severe declines in employment from competition for funding. A high decline in employment is not always reflected in the "rate" statistic. This circumstance is exemplified by what has happened in our own community.

Mineral County, with a population of 7,000, has only one major industry—the U.S. Naval Ammunition Depot. Over the past few years nearly 1,000 persons have been laid off at the depot due to changes in Department of Defense policies. Because Mineral County presently offers dim prospects for alternative employment, there has been a heavy out-migration of unemployed from here to Reno, Las Vegas and California. Conversely, this migration has added to the unemployment rates of these latter areas.

Thus, while Mineral County is faced with severe economic difficulties, it has only a 5.5 percent unemployment rate. We presently have an intensive economic development program underway to diversify the county's industrial base over the next few years. However, during the interim period a substantial public works project could be a decisive factor in holding together the county's labor force. This would tremendously benefit both this county and the surrounding areas which until now have carried the burden of our migrating unemployed. There is strong evidence that those unemployed who have moved to surrounding areas would readily return to the county if given the opportunity to work.

We are quite prepared to provide further evidence of these circumstances, and do not doubt that other communities face similar problems. Presently the public works law restricts funding to areas which are able to provide a high unemployment rate "statistic". We sincerely hope that provisions can be made in the future to open competition for public works funding to areas of severe declines in employment. This would seem very much in keeping with the intent of the public works law.

Thank you for all that you may do to aid us on this issue.

Sincerely,

JAMES FAIRFIELD, *County Administrator.*

STATEMENT OF PRESIDENT HARRY A. MARMION, LONG ISLAND UNIVERSITY SOUTHAMPTON CENTER, ON BEHALF OF THE NATIONAL ASSOCIATION OF INDEPENDENT COLLEGES AND UNIVERSITIES

Good morning, Mr. Chairman, I am President Harry A. Marmion of the Long Island University Southampton Center, representing the National Association of Independent Colleges and Universities, a newly established organization dedicated to the well-being of America's nearly 1500 independent non-profit institutions of higher education. These colleges and universities, scattered throughout the United States, comprise a large segment of the variety of institutions which contributes to the diversity of opportunity available to our nation's students.

I come before you this morning to discuss a matter which is of special concern to the continued health and vitality of these institutions. The Public Works Employment Act, signed into law last summer, serves several worthy purposes. The primary purpose, of course, is to make grants to stimulate the economy through employment of jobless persons on local public works projects in areas of high unemployment. We certainly support this most vital objective. A secondary objective is to fund construction and renovation of facilities which provide greatest benefits to the public.

When we in the independent sector of higher education began to inquire about participating in the program, we found that, unlike other federal programs with similar objectives, independent non-profit colleges and universities were not considered to be eligible applicants. By contrast, we discovered that public colleges and universities were considered eligible to participate in the program, through the state and local governments. In a letter to the Assistant Secretary of Commerce for Economic Development on November 8, 1976, the President of the National Association of Independent Colleges and Universities inquired as to how to rectify this oversight. In his response to that letter, the assistant secretary confirmed that, in fact, non-profit institutions are not eligible under the present law to submit projects for consideration by the Economic Development Administration pursuant to the Local Public Works Capital Develpoment and Investment Act, Title I under the Public Works Employment Act. A copy of this exchange of correspondence is appended to my statement.

The Public Works Employment Act authorizes the Secretary of Commerce to make grants through the Economic Development Administration to any state or local government for construction, renovation, repair or other improvement of local public works projects in areas of high unemployment. We are today proposing an amendment to S427 which would preserve the integrity of this concept but at the same time make non-profit organizations in the public service eligible to participate on an equal basis with public organizations. This amendment, which is appended to my statement, would provide the definition of "local public works projects" in section 102 of the Act to include "construction, renovation, repair or other improvement related to public facilities and facilities of institutions of higher education as defined by section 1201 (a), Title XII of the Higher Education Act of 1965, as amended, and non-profit organizations or institutions engaged in public service within the jurisdictional area of the state or local government qualifying for participation in the program."

By amending the Act in this manner, the state and local governments with high unemployment continue to be eligible applicants, thus assuring that the funds reach those jurisdictions most in need of economic stimulus. However, this amendment permits consideration of projects at non-profit organizations and institutions engaged in public service within those jurisdictions with high unemployment in a manner consistent with their ongoing participation in the CETA programs.

In addition to eligibility to participate in employment-stimulus programs like CETA, public and non-profit institutions have participated without differentiation in federal programs dedicated mainly to facilities improvement. For example, no distinction was made between non-profit and public colleges and universities for grants and loans for construction of academic facilities under the provisions of the Higher Education Act of 1965, as amended, or for college housing loans pursuant to the Housing Act of 1950.

Inclusion of the non-profit colleges and universities within the purview of this act would improve its effectiveness. Many non-profit institutions of higher education are located in areas of high unemployment. This amendment would broaden the program to assure maximum effectiveness in locating the most worthy projects in all areas of high unemployment.

While the economic stimulus and reduction of unemployment are paramount objectives, the Act also should be concerned with the greatest long-term benefits from the projects funded under its provisions. Nonprofit institutions of higher education are seriously in need of the type of renovation and repair envisioned by this act to satisfy EPA, OSHA and energy conservation requirements. Gross cost estimates in these required renovations are staggering. To comply with OSHA requirements alone probably will cost the independent sector about $1.7 billion, according to estimates based on data prepared by the National Center for Education Statistics. The rise in energy costs to non-profit colleges and universities has been phenomenal. The heating bill at most institutions has multiplied many times in the past several years. The harsh winter we are all now experiencing presents special problems, and I am afraid that the heating bill will be devastating. Renovation and repair of heating systems at our colleges and universities alone would have significant long-term benefits not only with respect to college costs but in combating the national energy crisis.

The amendment that we propose will make this program available to all non-profit institutions of higher education on an equal basis. The colleges and universities which I represent want to provide the very best educational opportunities to the public. Your assistance in areas such as this will help us do our job better and more effectively. We urge you to accept this proposed amendment to the Public Works Employment Act. Thank you for your kind attention. I will be happy to respond to any questions you or other members of the Committee may have.

PROPOSED AMENDMENT TO THE PUBLIC WORKS EMPLOYMENT ACT OF 1976, PL 94–369:

To Section 102, add:

"(4) 'local public works projects' mean construction, renovation, repair and other improvement related to public facilities and facilities of institutions of higher education as defined by Section 1201(a), Title XII of the Higher Education Act of 1965 as amended and non-profit private organizations or institutions engaged in public service within the jurisdictional area of the state or local government qualifying for participation in the program."

National Association of Independent Colleges & Universities,
Washington, D.C., November 8, 1976.

Mr. John W. Eden,
Assistant Secretary for Economic Development,
U.S. Department of Commerce, Washington, D.C.

Dear Mr. Eden: By way of introduction, I would like to identify myself as president of the newly-established National Association of Independent Colleges and Universities, an organization dedicated to the well-being of America's private non-profit institutions of higher education. On behalf of our 1,500 institutions, I ask your help in resolving a matter of apparent Congressional oversight.

As you know, funds authorized by the Public Works Employment Act of 1976 (PL 94–369) and appropriated by PL 94–447 are intended to support construction of public facilities in accordance with Economic Development Administration regulations. These regulations provide that states and local governments are eligible applicants for funds in areas where the unemployment rates reach prescribed levels. Apparently, institutions of higher education also would be eligible for funding such building projects.

We believe all would agree that the nation's 1,500 independent non-profit institutions of higher education function just as much in the public service as the state and local colleges and universities. In many cases, the independent colleges and universities are located in areas of higher unemployment than public institutions. In addition, these non-profit schools often are in need of essential safety and energy-saving building renovations, and in many cases these needs are greater than those of public institutions whose buildings generally are of more recent vintage.

Accordingly, we hope and trust that, in administering the Local Public Works and Capital Development program, your agency will make clear that America's independent non-profit colleges and universities are specifically included under the regulations as eligible applicants for participation in the program. By way of precedent, you should be aware that independent institutions of higher education are considered fully eligible project applicants under the Emergency Jobs Programs Extension Act (PL 94–444) administered by the Department of Labor.

We stand ready to work with you in assuming full eligibility for participation by independent colleges in your programs. We hope you share our view that the continuing vitality of American higher education is best served through the maintenance of a healthy and strong independent sector. Equal treatment in the area of public works programs will help assure this result, while also performing the essential purpose of the Act in providing meaningful employment for our citizens.

Your assistance in this matter is warmly appreciated.

Sincerely,

JOHN D. PHILLIPS, *President.*

U.S. DEPARTMENT OF COMMERCE,
Washington, D.C., November 29, 1976.

Mr. JOHN D. PHILLIPS,
President, National Association of Independent Colleges & Universities, Washington, D.C.

DEAR MR. PHILLIPS: This is in response to your letter of November 8 regarding the regulations implementing the Local Public Works Capital Development and Investment Program. You raise a question concerning the funding of projects from private, nonprofit institutions of higher education.

As you know, Title I of the Public Works Employment Act of 1976 expressly provides that grants may be made only to States and local governments. The program established by the statutes is specifically designed to aid States and local governments and does not accommodate itself to request for assistance from other types of groups. In view of the explicit terms of the statute, nonprofit organizations are not eligible applicants.

The Economic Development Administration (EDA), however, has published revised regulations adding new Section 316.13 entitled "Lease of project facilities" which may directly affect your member institutions. The regulations state the following:

"(*a*) The project facility may be leased by the grantee to a nonprofit operator providing the applicant maintains a continuing significant economic interest in the project and is not acting simply in a passive role for a prospective lessee, and such facility is used for the purpose of the grant.

"(*b*) The project facility may be leased by the grantee to a profit making operator provided all of the following conditions are met:

"(1) The lease is incidental to the project and not its principal purpose;

"(2) The lease does not change the public nature or character of the purpose of the project as a whole; and

"(3) The applicant maintains a continuing significant economic interest in the project and is not acting simply in a passive role as applicant for a prospective lessee."

We have been accepting applications for consideration under the Local Public Works Program since October 26. Initial applications should be received by the Regional Office by Friday, December 3, 1976, in order to be considered for funding under the first 60-day period of this program. Application forms, guidelines and further information are available from the Regional Offices.

I hope this answers your questions concerning the Local Public Works Capital Development and Investment Program. If you desire further assistance, please contact me.

Sincerely,

JOHN W. EDEN,
Assistant Secretary for Economic Development.

STATEMENT OF BARTON D. RUSSELL, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF TOWNS AND TOWNSHIP OFFICIALS

My name is Barton D. Russell, and I am the Executive Director of the National Association of Towns and Township Officials (NATTO). NATTO is a federation of associations and public officials representing over 13,000 units of local government. NATTO's purpose is to foster intergovernmental cooperation and encourage the maintenance of effective, efficient and economical public service delivery systems.

NATTO unequivocally supports the thrust of the Public Works Employment Act of 1976, but encourages the Congress to provide for a substantial increase in federal LPW outlays. Needless to say, the initial authorization of two billion dollars under Title I was insufficient and fell far short of meeting local needs, as evidenced by the twenty-four billion dollars in applications which were submitted.

A survey by the National Association of its members indicates that they experienced a number of major problems with the LPW program as it was administered by the Economic Development Administration (EDA) during the first "go-round." Towns and townships were adversely affected by the following program deficiencies:

1. *Eligibility criteria.*—In deciding which areas would be eligible for priority consideration, EDA developed a locse set of calculation standards for determining the unemployment rate of a proposed project area. According to a number of reports, this flexibility resulted in widespread gerrymandering of unemployment data by localities that recognized the favorable results which could be achieved under this provision. It is NATTO's position that EDA should establish stricter, more uniform criteria for determining the unemployment rate for a given project area. We are unequivocally opposed, however, to selection criteria which place major emphasis on the absolute number of workers in a project area. Such a ranking factor favors more populated localities and discriminates against people who may live in less densely populated areas which may be so-called "pockets of poverty." Under such a system, people who live in "pockets of poverty" and obviously need assistance may be denied relief.

2. *70–30 priority.*—This provision of the Act has been widely criticized by municipal associations and elected officials. NATTO too found fault with his provision, not only because it provided substantial funding to areas with comparatively low unemployment, but also because it caused confusion for many of our local elected officials. It is my understanding that EDA provided no guidelines to decision-makers on this provision, and that this deficiency led to an untenable situation in which the vast majority of applicants was competing for the 70 percent funds and relative minority applied under the 30 percent criteria. Seemingly little attention was focused upon this provision during the Congressional Oversight Review Hearings held in August, 1976. Perhaps it generated minimum concern because neither EDA nor the Congress had actual operating experience with the 70–30 percent concept. We are now, however, in a much better position to judge the merits of this formula, and it is NATTO's considered opinion that monies allocated under the Act should be directed to areas within the States which demonstrate the highest need.

In summary, Congress should devise a better system for ensuring that those towns, townships and other municipalities which demonstrate the highest real rate of unemployemnt be given first priority for Title I funding, without regards to the 70–30% formula. This may require elimination of the formula entirely, or the development of a different ratio—perhaps 9 to 1, for example.

3. *Application process.*—Although it is recognized that EDA was given relatively little time to administer the program subsequent to Congressional approval, it is NATTO's position that, in the future, EDA should provide technical assistance and counseling to local officials, perhaps through state or regional preconference meetings. The lack of guidance available to town and township personnel during the first "go-round" locked out, in effect, many applicants from the application process because program information was largely unavailable. Hence, efforts to participate in the program were often piecemeal at best.

The failure of EDA to provide a "question-and-answer" forum for confused or simply uninformed officials was one of the major criticisms of the program by elected town and township representatives with whom we had contact. Their frustrations were perhaps best stated by Mr. Robert J. Charles, Secretary/Treasurer of the Snyder, Pennsylvania Township Supervisors, in his letter to Mr. Elam Herr, Legislative Analyst for the Pennsylvania State Association of Township Supervisors:

"Obviously, this township believes the (LPW Title I) application process is much too difficult and expensive . . . It is a cruel hoax for the federal government to have numerous municipalities spend large sums of money for . . . planning when there is only a very small percent of applications which can be approved.

The pervasive feeling among our members is that the LPW Title I application process (and, for that matter, most categorical aid or formula processes which require applicants to develop grant applications) is weighted in favor of the more affluent municipalities which can afford either to employ the best grants specialist or contract with a priavte firm for the same service. It is our hope that, at the very least, Congress will monitor the application process with a keen eye towards simplifying it as much as possible, in order to make it more equitable for local governments, especially municipalities lacking the financial capacity to employ grant specialists, to participate in the program."

Attached for your consideration are selected recommendations and comments offered by officials from the Michigan Township Association and the Township of Palmer, Pennsylvania, regarding Title I of the Public Works Employment Act of 1976. I believe them to be of significance and hope they provide you with additional useful insights during your deliberation on this legislation.

In conclusion, I would like to say that the Board of Directors of the National Association of Towns and Township Officials believes that, through its over 13,000 local government membership, it is a unique organization and, as such, it can provide the Congress with important information on the needs of this nation's towns and townships. We hope our testimony regarding this legislation represents to you a major step in this direction.

Thank you for your consideration.

MICHIGAN TOWNSHIP ASSOCIATION,
Lansing, Mich., January 28, 1977.

To: Mr. Bart Russell, executive director, National Association of Towns and Township Officials.
From: Michigan Townships Association.
Subject: Comments from Michigan township officials on the title I of the Public Works Employment Act of 1976.

MICHIGAN APPLICANTS AND RECIPIENTS OF LOCAL PUBLIC WORKS GRANTS

Type of recipient	Total number of units in Michigan	Number of applicant units	Number of recipient units	Amount of LPW funds awarded
Townships	1,245	[1] 109	[2] 19	$17,749,620
Cities and villages	531	[1] 271	[2] 44	71,182,570
Other: State Indian Commissions, counties, and colleges, and schools				69,067,810
Totals	1,776	[1] 380	[2] 63	158,000,000

[1] These figures are based upon preliminary, unofficial information supplied by the Economic Development Administration (EDA) as of Dec. 28, 1976.

[2] These figures are based upon preliminary, unofficial information published in the Federal Register on Dec. 23, 1976.

EXPLANATION OF FINDINGS

(1) 19 townships out of 63 total municipalities or 30 percent of the total municipalities received $17.7 million or 20 percent of the total money for all municipalities. (And yet, nearly half of Michigan's population or 4.5 million persons live in townships.)

(2) 44 cities and villages out of 63 total municipalities or 70 percent of the total municipalities received $71.2 million or 80 percent of the total money for all municipalities.

[NOTE.—A more effective comparison could be made if figures were available to determine the per capita rates of funds received by each type of local government.]

Data was also not available on the type of LPW grants that were applied for by townships versus the types of grants applied for by cities and villages.

The most common criticisms of the program include:

(1) The lack of publicity about details of the program;

(2) The short lead time from the day applications became available until the day they were due;

(3) The lack of information on the actual criteria used in the determination of grant recipients;

(4) The failure of EDA to inform applicants of the reasons for denials of grant applications.

(1) The lack of publicity about details of the program: Prior to and during the short application period, there was very little information available about the details and requirements of the LPW Program. Local and regional EDA offices could have held informational or training sessions in certain areas of Michigan to explain the program and its various criteria.

Some units of government in very needy areas would have been able to prepare their applications if more and better information had been disseminated. Some of the units that did apply would have been able to do a much better job in preparing their applications. At the same time, a number of local units would have decided not to make application if they were made aware of full selection criteria in advance. In each case, a great savings in time and money would have occurred at the local level, as well as at the various offices of the EDA.

(2) The short lead time from the day applications became available until the day they were due: Many township officials were not notified of the availability of LPW grants until two or three weeks before the application deadline. The application procedures were complicated and unclear.

During the short application period a great amount of money and talent was invested by township officials finalizing plans and substantiating elements in the applications. In townships this investment would add up to an expenditure of many thousands of dollars not only for staff time, but for the services of many professional consultants, attorneys, engineers, architects, and planners. And in most cases grants were never awarded.

The short lead time for the submission of the applications also necessitated investments in staff time and money in hurriedly putting together the applications and hand-carrying them for timely submission to the proper federal officials.

(3) Lack of information on the actual criteria used in the determination of grant recipients: Pre-application meetings would have helped tremendously in disseminating information on the actual criteria used in selecting the grantees. Many local officials had a difficult time obtaining certified unemployment figures. In some cases, the Michigan Employment Security Commission was unable or reluctant to supply such data to township applicants. Also, conflicting information was distributed regarding the basis which could or should have been used in determining the unemployment figure.

Additionally, some of the criteria which were apparently used allowed EDA much latitude in how it applied the criteria. For example, one of the criteria for additional consideration in ranking was whether the proposed project exhibited potential for providing long-term benefits. This is a provision which allows a great deal of subjective interpretation since "long term" is not defined. The basic rank of almost any project could have been increased (up to 10 percent based upon someone's preference in EDA, since few projects provide short-term benefits and "long-term" is not defined.

(4) The failure of EDA to inform applicants of the reasons for denials of grant applications: Township officials who failed to receive an LPW grant are very frustrated because of the time, money, and effort spent to prepare and follow grant applications to the point of denial. Most of all, the hopes of their many unemployed residents were bolstered at first, but only to be inflicted another discouraging disappointment.

In addition, township applicants have not been able to find out the specific reasons for their placement in the ranking of applications by EDA.

Some local units were given one or two general reasons for denial of their applications. But EDA refuses to notify them about possible specific reasons for their ranking and denial. Local units should be furnished a copy of a checklist or ranking sheet that should have been used when EDA determined the points according to each criterion that it assigned to all project applications.

A final recommendation is that each grant recipient under the first funding phase should be assigned a negative factor for the next funding phase. This would insure a wider distribution of projects in states such as Michigan where high unemployment is a statewide problem.

TOWNSHIP OF PALMER,
OFFICE OF THE SECRETARY,
Palmer Township, Pa., January 25, 1977.

Re your telephone call on January 17, 1977.

Mr. B. KENNETH GREIDER,
Executive Director,
Pennsylvania State Association of Township Supervisors, Camp Hill, Pa.

DEAR KEN: Palmer-Township filed two Local Public Works Capital Development applications with the Federal Economic Development Administration (EDA) Philadelphia Office. Although we have not had any official communication one way or the other, to the best of our knowledge, these projects have been denied.

Find attached a prepared statement on our experience and reflections as regard to the program and its shortcomings in our area.

Very truly yours,

H. ROBERT DAWS,
Chairman, Palmer Board of Supervisors.

Enclosure.

PREPARED STATEMENT OF H. ROBERT DAWS, PALMER TOWNSHIP, NORTHAMPTON COUNTY, PA.

Palmer Township filed two Local Public Works Capital Development applications with the Federal Economic Development Administration (EDA) Philadelphia Office. Although we have not had any official communication one way or the other, to the best of our knowledge, these projects have been denied. This may well be our first complaint if not the most critical of the way these projects have been handled, vis-a-vis:

PROJECT NO. 1—ESTIMATED COST $480,000 PALMER INDUSTRIAL PARK WATER SYSTEM

Palmer officials prepared, on behalf of our citizens, an application for 100 percent EDA funding of a water supply system to serve the area of an industrial park in the northern-most part of the Township.

This industrial park site was developed by the Easton Area Industrial Land Development Company; encouraged and subsidized by the Township it is totally paid for. The Company is in receipt of a $80,000 State grant for site Improvements. The Bushkill-Lower Lehigh Sewer Authority of which Palmer Township is a part and which was encouraged and aided by Palmer from its inception, is scheduled to begin construction of an area-wide system, including subject industrial park, this Spring.

This project which, to the best of our knowledge, compiled with all LPW requirements was forwarded to EDA Philadelphia Office by the Joint Planning Commission of Lehigh-Northampton Counties with the comment: "recommend disapproval of the project."

PROJECT NO. 2—ESTIMATED COST $2.3 MILLION, PALMER TOWNSHIP STORM SEWER TRUNKLINE AND COLLECTOR SYSTEM

Palmer officials have addressed the problem of flooding in areas under the burden of rapidly growing population. Population increase in these areas of Palmer over the past decade is in excess of 5,000. By far the most severe problem of flooding is directly related to the construction of nearby U.S. Highway Route 33 Interchange which is located in an adjoining municipality. No provision was made by PennDot to handle the increased water runoff caused by this interchange.

Palmer recently expended $250,000 of its own funds to construct a significant part of a system serving the Rt. 33 area. The Township, prior to construction of the above partial system, unsuccessfully attempted to gain relief in the local and Commonwealth Courts (Township of Palmer vs Commonwealth of Pennsylvania, Department of Transportation No. 17 C.D. 1974).

This project which to the best of our knowledge, compiled with all LPW requirements; was dutifully forwarded to the EDA Philadelphia Office by the Joint Planning Commission of Lehigh and Northampton Counties with the comment: The proposed storm sewer trunkline was not in conflict with their plans. They did however withhold any endorsement of the project.

SUMMARY

Both of the above projects are crucial to the economic growth, i.e. employment, business and industrial development within the Township of Palmer. Since Palmer Township bounds the City of Easton to the West along the only arterial highway, Palmer offers the greatest potential for providing employment in the eastern section of the greater Lehigh Valley. Failure of the JPC to support either of these projects; developing a water system for the proposed Palmer Industrial Park and providing for business, industrial and residential development with a Storm Sewer Trunkline and Collector System, their decision is tantamount to a dereliction of responsibility to review and approve a project on its own merit. In a discussion of these projects with a member of the JPC planning staff, one of the reasons given for not recommending construction was that an excessive number of project approvals had been requested of the Joint Planning Commission. Therefore, at the same time the JPC of Lehigh and Northampton Counties indicated that the proposed storm sewer trunkline was not in conflict with their plans, they did withhold any endorsement of the project.

Palmer Township officials are troubled by the imbalance of representation on the Joint Planning Commission of Lehigh and Northampton Counties. The Commission is weighted toward the two cities in Northampton County. This same J.P.C. is the designated clearing house for A-95 review. Therefore the thirty-six smaller municipalities in Northampton County are prejudiced against receiving approvals for Federal and State grants.

In conclusion the problems facing township government are largely brought on by the dilemmas facing the cities, i.e. urbanization. Cities which have been threatened by an exodus of population since 1970, and cities which have been surrounded with new shopping centers, industrial and business development. While it is easy enough to sympathize with the economic losses of these older urban areas, unless recently developed areas are also encouraged to develop their capacity to employ their population, the economic dilemma of these areas will soon place an even greater burden upon the State and Federal government.

NATIONAL LEAGUE OF CITIES,
UNITED STATES CONFERENCE OF MAYORS,
Washington, D.C., January 6, 1977.

Mr. JOHN EDEN,
Assistant Secretary for Economic Development,
Department of Commerce, Washington, D.C.

DEAR MR. EDEN: The City of Miami requests funding for three City applications for the Local Public Works Program. The total federal funds is $10,841,237 for the three highest City priorities.

(1) Convention Center, Loc. no. L-FL-0325-0; $4,373,000.

(2) Dinner Key Recreation Center/Exposition Hall, Loc. no. L-FL-0326-0; $3,758,187.

(3) Heavy Equipment Service Facility, Loc. no. L-FL-0861-0; $2,710,050.

This request is based on the following grounds:

(1) The $9 million benchmark for the City of Miami was filled by $9,391,035 worth of projects mistakenly funded to the County Government. The City benchmark was not funded at all.

(2) City projects that scored higher than other area projects were not approved on the mistaken ground that the benchmark for the City had been reached.

(3) Three Miami applications were improperly scored 5 for long term benefits, when they should have received a score of 10.

(4) The County benchmark was $29 million, but only $21 million was approved.

A benchmark of $9 million was established for the City of Miami. Because the City of Miami is the County seat and the County Government has a Miami address, applications submitted by the County were mistakenly treated as City of Miami applications. With the intention of funding the City of Miami, three County projects, the Port Warehouse (Loc. no. L-FL-0003-0), the Data Center (Loc. no. L-FL-0005-0) and the Jail Air-conditioning (Loc. L-FL-0887-0) were approved. The City Government received nothing.

The City's Heavy Equipment Service Facility with a score of 86.19286442 ranked higher than the Virginia Gardens (Loc. no. L-FL-1011-1)—86.07466221, West Miami (Loc. no. L-FL-0079-0)—86.05733871, Sweetwater (Loc. no. L-FL-0901-0—84.52433395, and Homestead (Loc. no. L-FL-0144-0)—81.64696503, projects worth $6,846,962, which were funded. The City's Convention Center, Dinner Key/Exposition Hall and Sidewalk Ramps (Loc. no. L-FL-0860-0), all with 82.60149479, scored higher than the Homestead $4.6 million water project. These lower-scoring projects were selected because of the mistaken assumption that the Miami benchmark had been reached. In fact, it had not.

Only $3.4 million worth of projects are located in Miami. The poor and the unemployed are disproportionately concentrated in and near the City of Miami. With about a quarter of the County population, Miami has one third of the unemployed persons. Many other poor and unemployed persons live near the

City. The City's per capita income is $3,592. The County, excluding the City, has a per capita income of $4,636.

The Convention Center and the Dinner Key Recreation Center/Exposition Hall were scored 5 for long term benefits while water systems in suburban towns of Florida City, population—5,365; West Miami, population—5,935; Virginia Gardens, population—2,612; and a City Hall-Police Station in Sweetwater, population—6,570, received higher scores.

The Program Regulations list convention centers and recreational facilities, as well as water lines, among the examples of appropriate projects. We see no justification for assigning a lower long term benefit score to these Miami projects which will serve the entire community, than to small town water systems which benefit only the residents of those towns. With a "10" for long term benefits, these Miami projects would presumably score 86.19286442, the same as the Equipment Facility. This score would entitle the Miami projects to funding.

We reqeust that this failure to follow EDA's procedures be remedied.

NATIONAL AVERAGE—$250 PER UNEMPLOYED PERSON

Jurisdiction	Local public works funds	Average 4-6 unemployment rate	Per capita income	Average 4-6 number of unemployed	Population	Funds per resident	Per person unemployed
Dade County government	$9,391,035	10.56	$4,366	72,033	1,371,369		$130.37
Jail air-condition	(1,071,105)						
Data center	(5,000,000)						
Port warehouse	(3,319,930)						
Balance Dade City excluding Miami, Miami Beach, Hialeah	18,689,697	9.54		36,636		$21	510.00
City of Miami	0	12.10	3,592	24,472	354,359	26	0
Hialeah water system	2,789,182	9.83	3,789	6,122	125,051	22	455.60
West Miami drainage improvement	399,200	7.20	4,829	283	5,935	67	1,410.00
Miami Beach	0	14.12	6,204	4,789	94,799	0	0
Homestead water system	4,600,000	9.30	3,621	907	16,591	226	5,071.00
Florida City water system	1,000,000	8.7	2,135	207	5,365	186	4,830.00
Opalocka water system	2,051,500	9.1	3,179	714	13,715	149	2,873.00
Sweetwater city hall-police station	736,000	6.2	3,688	227	6,570	112	3,242.00
Virginia Gardens water system	511,962	4.9	4,818	82	2,612	196	6,243.00
Dade County, excluding city government	12,087,844						
Dade County total	21,478,879	10.56	4,366	72,033	1,371,369	15.60	298.18

THE NATIONAL PARAPLEGIA FOUNDATION,
NATIONAL CAPITOL AREA CHAPTER,
Washington, D.C., February 5, 1977.

Re S. 427.

PUBLIC WORKS COMMITTEE,
U.S. Senate.

As chairman of the Architectural Barriers Project, Metropolitan Washington Area, from 1964–1969 and as the one in charge of information and referral for the National Capital Area Chapter of the National Paraplegia Foundation since 1964, I have been made acutely aware of the need for accessible, usable facilities for citizens with physical limitations. In your present bill you still have the opportunity to amend it so that it will include the elimination of architectural barriers, thus opening up countless employment opportunities for these persons. It would also open up communities for civic, social, cultural and recreational activities families and friends of physically limited could enjoy with them.

An additional bonus is that such an amendment would provide jobs for the construction industry and for local labor: architects, builders, bricklayers, plumbers, carpenters, electricians, and others.

Minimally we urge that the Economic Development Administration be directed to eliminate architectural barriers in all projects they now have in hand. We hope you will take the more positive step of requiring that 10% of the funds be used to remove architectural barriers. That would be most helpful. Thank you.

Mrs. JANET W. FAY.

STATEMENT OF THE NATIONAL RECREATION AND PARK ASSOCIATION ON H.R. 11 AND RELATED MEASURES

Mr. Chairman and members of the committee, the National Recreation and Park Association is pleased to submit this statement commencing on H.R. 11 and companion measures to extend the Public Works Employment Act of 1976.

The National Recreation and Park Association is a private, nonprofit organization devoted to the improvement and expansion of park, recreation and leisure systems and services for all people. Policy is determined by a Board of Trustees representing lay persons responsible for public policy for parks, recreation and leisure, and professional and technical staff who directly plan and manage a diverse range of park and recreation facilities and services. Our membership exceeds 15,000 individuals, agencies and organizations. Those Association members professionally employed in this field are primarily from the public sector, particularly state and local governments. However, there is also considerable representation from the private sector.

Within the last ten days, the Association has conducted three "listening sessions"—in Washington, D.C., Chicago, Illinois and San Francisco—to better understand the perceptions of state and local park and recreation administrators regarding this and related federal public works and manpower programs. The recommendations contained in this statement are based on the experiences of public agencies in dealing with the law, subsequent regulations, and the review/selection/rejection process.

Two primary recommendations emerged: the Act should be extended; the project application/selection process must be refined and open to public scrutiny.

On the latter point there was unanimity—how did the Economic Development Administration (EDA) make its selection? It seemed to everyone that there was no rhyme nor reason attached to their decision-making process. After listening to EDA testimony before this committee last week, we believe that there possibly was rhyme, but clearly little reason.

Others appearing this week have spoken to the "gerrymandering" of unemployment data, the short shrift given the cities, and the concomitant excessive benefits accruing to the suburbs. We can only support these statements and reiterate these complaints.

We would, however, like to focus on what we feel is an area and a viewpoint that the others will not address directly. Our association name implies our concerns are with park and recreation experiences—for all citizens. These experiences have both a social and physical context. Individuals in this field not only administer playgrounds and swimming pools, but provide programs for the physically handicapped and the elderly, as well as the young and fit. Public park and recreation systems provide jobs and training—and participate in nutrition programs. One project which received funding under the initial public works program provided a comprehensive system of street ramps in a neighborhood where many handicapped persons reside. This is an exemplary use of EDA funds.

Throughout the course of deliberations on this program—going back to the original bills early in the 94th Congress—virtually none of the discussion has focused on secondary benefits. These are either secondary jobs within or at completed projects, or the lasting social benefits from the projects. Many words have been used to describe the jobs portion of the program. Little has been said about the long-range impact of projects themselves.

The regulations attempt to recognize "long-term benefits" by awarding up to 10 bonus points for this element—the number of points to be determined by the nature and extent of the long-term benefits to be provided by the project. As pointed out by members of this committee, however, nowhere do the regulations define long-term benefits, nor is there any public document outlining this section.

However, EDA did have a working definition of "long-term benefit." Unfortunately, park and recreation projects, those with documentable lasting benefits were not perceived by EDA as such. In the opinion of EDA, projects eligible for the full bonus were those which "represent basic community infrastructure, such as water and sewer; an essential community service facility, such as fire station; or development facilities, such as industrial parks and access roads."

Many public park and recreation projects were perceived, incorrectly we believe, to have "limited long-term benefit." These were defined by EDA as "new community amenities such as parks, recreation and cultural facilities, and/or historic preservation." The same "limited" assessment was also given to facility rehabilitation.

Anything less than major rehabilitation, such as renovation involving repair work was considered to have "no long-term benefit" and no extra points awarded. Since many of the park and recreation projects submitted did not involve massive new construction, but did involve renovation, these projects suffered in the ranking.

Our observations, based on field experiences and reports on such social phenomena as the riots of 1968, clearly reveal that useable public park and recreation facilities are perceived as "infrastructure."

These internal guidelines appear to have excessively skewed local officials' perception of "need." For instance, while LPW submissions categorized as "recreational buildings and parks" totaled 9.8 percent of all submissions, approved projects represented only 4.7 percent of all approved projects.

Representatives of the construction industry earlier commented on the employment "ripple effect" generated by local public works (LPW) projects—e.g., material goods needed to furnish buildings. We submit there are other, more significant "ripples" which flow—namely the manpower required to operate a once deteriorated and unusable community center that is renovated or rejuvenated. Further, recreation-related projects provide needed facilities and areas to give people a place to go. It is an unfortunate and ironic truism that in times of high unemployment and economic depression, leisure facilities and services are most in demand, yet at the same time funds for services and facilities are among early budget victims.

The long-range benefits derived from human service-related projects is no better exemplified than in the predecessor program from the Great Depression, the Works Progress Administration (WPA).

The WPA and collateral programs—Civilian Conservation Corps and Public Works Administration—provided employment to tens of thousands of construction and manual workers. More than 15,000 projects were classified as "parks and recreational facilities" and "social and recreational buildings." The list of WPA parks and facilities still in use—and high demand use at that—is considerable. Every area of the country still has facilities, large and small, developed under these programs. Numerous state and local parks exist today because of the WPA and CCC.

The words of Harold Stafford of Texas in 1937 are appropriate now, forty years later.

"To many observers such benefits (of the WPA) may be less visible because they are intangible. There are some who wish to see what the taxpayers' dollars have bought standing before their eyes in steel and stone and permanent construction. For those, too, the Works Progress Administration in Texas, as in other states, can point to numerous finished products which add to the community wealth.

"The 263,000 square-mile area of Texas is dotted with parks and public playgrounds, improved, enlarged, and created through the efforts of workers employed by the Works Progress Administration. Long after the depression, which brought about the greatest public works program in the history of the world, has been forgotten except by historians these monuments will remain to attest to the permanence of improvements wrought by workers on the federal payroll."

Along with the construction of areas and facilities, many recreation programs were developed, and because of their permanent social value, these were placed on an equal footing with construction. Additional jobs of the magnitude of 50,000 were created as a direct result of the building programs and in conjunction with them.

The same benefits can be achieved today. A renewed Public Works Employment Act is half of the partnership. Proposals are pending in Congress now for an increased public service jobs program and youth employment program. Together, the jobs and lasting public benefits they can provide will be, to paraphrase the sentiments of 1937, long remembered when the individual programs have long been forgotten.

Another incentive for funding park and recreation projects is that, unlike some others, they are relatively small. A random sample of refused projects reveals many in the $50,000–$100,000 category, with a majority near $500,000. These are also sufficiently labor intensive, with the ratio of materials to labor well within the EDA guidelines.

During Assistant Secretary John Eden's testimony last week, he was questioned regarding the use of LPW funds for matching other federal aid. Messrs. Eden and Karras testified that only a very few matching projects were received and fewer still, perhaps 20, funded. The reasons given were of the high cost of "matching" projects—of the water pollution control and mass transit type. There are other projects of considerably lesser magnitude. A backlog of Land and Water Conservation Fund projects, for instance, exists on the state and local levels; many of these because of lack of local funding ability. Similarly, many potential senior centers are still on the drawing boards because local communities do not have the money to match the federal share. Neither the law nor the regulations provide any incentive to use the funds to match. Consequently, very little LPW funding was used in this manner.

Another aspect of the current program needs mentioning, namely the penalizing of certain forms of local government, especially "special districts." In many regions and states . . . Illinois, Michigan, and throughout the Northwest . . . parks and recreation is a function performed by special districts created by state and/or local governments. These have taxing authority, police and fire responsibilities and many other functions of general local government. All are legally organized units of government and should not be penalized in project scoring processes. If the principal objective of this program is to get people involved in meaningful work then the form of "sponsoring agency" is irrelevant.

A specific aspect of the application process also requires mention, namely the requirement of detailed planning, architecture and engineering data.

The stipulation that fully developed plans, especially "A and E" documents, be completed concurrently with project application has caused considerable unnecessary "front-end" expense to local governments. Where a project was not funded, and the community has little or no ability to pursue the project with other financial resources, this will be a wasted expenditure. This requirement worked particularly to the disadvantage of many public park and recreation systems which do not normally have complete "in-house" architecture and engineering capabilities and rely on other public agencies, especially general engineering units or private firms to perform these functions. Clearly there must be adequate pre-approval "A and E" work to determine cost estimates and other project information. Full construction drawings on the other hand, may certainly be developed after a project has been initially approved.

Finally the general perception of federally-aided manpower and related programs held by state and local officials must be noted. These officials are extremely concerned with the increasing complexity and "paper" burden of these programs, the net costs and benefits, and the apparent "independent" nature of each one, including the Public Works Employment Act and Comprehensive Employment and Training Act and others. All respond in some way to depressed socioeconomic conditions. We must begin to look at efforts to mitigate these conditions in a holistic manner.

The Association believes that the need for continued support for LPW projects is clearly demonstrated by magnitude of response to the initial program. We hope, however, that a more equitable distribution, both in project type and recipient, might be achieved. The following specific recommendations are offered:

The Congress and Executive branch should systematically examine federally-aided public works and jobs programs in a comprehensive manner, with special attention to the cumulative impact on state and local finance, employment and allied concerns. H.R. 11 should require such a study.

A project priority system which balances long range social/public benefits with the immediate physical needs of a community should be developed.

A process of public project review prior to submission to insure reflection of current community needs should be required.

Different forms of local government, including special districts, should not be penalized; projects should be selected on merit and public perception of need.

Appropriate incentive to use LPW funds to match other federal grants-in-aid should be given.

Projects should be prioritized on the basis of both target area unemployment and ultimate "area of influence" or project benefit.

Detailed planning, architecture and engineering documents prior to even tentative project approval are unnecessary and this requirement should be deleted.

SUGGESTED AMENDMENT TO PUBLIC LAW 94-369

Title I—Local Public Works, Section 102 (3) is amended as follows: "(3) 'local government' means any city, county, town, parish, district, or other political subdivision of a State, and any Indian tribes."

COMMENTARY

This amendment states that the basic objective of this legislation is to stimulate employment opportunities through public works projects, regardless of the particular form of government sponsoring such opportunities. In fact, many states and substate units have specifically created all types of governmental entities for various reasons, including financial and technical efficiencies.

We should not arbitrarily penalize a particular form of governmental unit or type of project simply because it is not "general purpose"—which was precisely what EDA has done. Most park districts, for example, are autonomous units governed by elected local officials, have taxing authority, and provide other local government functions, including fire and police protection. It is the intent of this legislation and Congress that projects should be considered on their merit and in the context of state and local priorities, rather than by which unit of government submits the application.

SUGGESTED AMENDMENT TO PUBLIC LAW 94–369

Title I—Local Public Works, section 103 is amended by adding the following new part (b) and redesignating the existing part (b) as part (c).

"(b) The Secretary shall, in the approval of grants, give priority to projects which will provide long-term social benefits in addition to providing needed capital development."

COMMENTARY

This Congress should be equally concerned with the long-range social impact of a project as well as the immediate construction-related employment created by the project.

By "long-term benefit" the Committee means projects which will bring a lasting and beneficial addition to the community wherein it is situated. Those projects which this Committee views as having long-term value include park and recreation projects, community, recreation, or senior centers, and other projects of this nature which exhibit both primary job benefits as well as a second level of benefits which inure to the community as a whole.

In the past EDA viewed long-term benefit as projects which "represent basic community infrastructure, such as water and sewer; an essential community service facility, such as fire station; or development facilities, such as industrial parks and access roads." We believe that this is not correct.

It is the intent of this legislation that long-term benefit should not be viewed in such a narrow and restrictive sense. Clearly other projects such as park and recreation facilities, cultural or community centers are also a part of the community infrastructure and provide lasting and beneficial services and resources to a community.

Public perception of need, as evidenced by local ranking of project applications, should be an essential criterion for project selection. That park and "recreational buildings and parks" totaled 9.8 percent of all submissions. How-infrastructure is reflected by the fact that LPW submissions categorized as "recreational buildings and parks" totaled 9.8 percent of all submissions. However, only 4.7 percent of approved projects were in that category, indicating an obvious difference of perceived importance. This should be remedied in the next round of grant awards.

SUGGESTED AMENDMENT TO PUBLIC LAW 94–369

Title I—Local Public Works, section 108(g) is amended as follows: "(g) States and local governments making application under this Act shall (1) certify that the project reflects existing community needs; (2) relate their specific requests to existing approved plans and programs of a local community development or regional development nature so as to avoid harmful or costly inconsistencies or contradictions; and (3) where feasible, make requests which, although capable of early initiation, will promote or advance longer range plans and programs."

COMMENTARY

This amendment adds a new section 108(g)(1) and retains and renumbers previous 108(g)(1) and (2) as 108(g)(2) and (3), repectively.

Local communities should be made to justify the necessity of a specific project and how it will benefit the community. While in some instances a new addition to the municipal center is of higher priority to a local government than, for example, an addition to a public facility for senior citizens, this priority should be established. Projects should relate to the need of the community or region, when it will have a regional impact.

Many projects can pose a dual employment benefit. For example first the manpower needed to renovate and rehabilitate a deteriorated and unusable community center, and then the manpower required to operate the "new" center. The construction of physical plants which can tie in to other social and manpower programs should be encouraged.

SUGGESTED AMENDMENT TO PUBLIC LAW 94-369

Title I—Local Public Works, add new Section 108(g): "(g) The Secretary shall give priority to projects where ample opportunity has been given for public participation and review."

COMMENTARY

This section is necessary to promote public participation and to ensure that projects adequately reflect current community needs. In some instances, local governments were able to thwart the will of the community, for example, by using LPW funds for projects which had been specifically disapproved by the electorate in previous bond referenda.

Conversely, many communities have already undertaken a comprehensive planning process which includes public review and approval. Projects thus approved have not begun due to lack of local funds. These latter projects, because they do, in fact, reflect community priorities, should be given a higher ranking by EDA.

STATEMENT OF THE NATIONAL REHABILITATION ASSOCIATION

The National Rehabilitation Association is a 51-year-old organization whose membership consists of approximately 35,000 individuals. These members are both professionals working in the field of rehabilitation and persons with disabilities. The association has traditionally supported legislation that enhances the Rehabilitation of handicapped individuals.

Consistent with its previous support of the objectives of the local public work projects program last year, the NRA reiterates its position that this program offers a unique opportunity to improve the employment possibilities for millions of physically disabled job seekers.

The association asks that the Committee modify existing provisions of the Act to provide a priority for construction projects which are designed to modify public buildings, sites and facilities to make them accessible and useable by handicapped workers. Minimum and comparatively inexpensive modifications of existing buildings can make it possible for job-ready disabled people to enter and be employed in such buildings. The employment of disabled people, otherwise trained and capable of competing for work will reduce their need for welfare, social security disability and unemployment compensation payments. For those who are not in the job market and for senior citizens, improved accessibility to community buildings will measurably help keep them active and in the mainstream of community living.

We ask that the Committee take the following action:

(1) Direct the Economic Development Administration to establish a priority, as previously mentioned, for such projects that have already been submitted to the Economic Development Administration.

(2) Provide for a specific set-aside of a percentage of new funds for 1978 and 1979 projects of this type.

(3) Provide for local authorities in developing projects to consult with public and non-governmental agencies serving handicapped children, adults and older people so that their unique needs will be reflected in all projects submitted.

Projects to make buildings and other facilities accessible will give employment to many unemployed laborers, technicians and professionals in the construction trades. Such projects can be mounted quickly in both small and large communities throughout the country.

NATIONAL WILDLIFE FEDERATION,
Washington, D.C., February 2, 1977.

CHAIRMAN, ECONOMIC DEVELOPMENT SUBCOMMITTEE,
Senate Committee on Public Works,
Dirksen Senate Office Building,
Washington, D.C.

DEAR MR. CHAIRMAN: The National Wildlife Federation, which has its headquarters at 1412 16th Street, N.W., here in Washington, D.C., would like to comment upon the Public Works Employment Act Amendments hearings which currently are in progress before your Subcommittee.

Our organization has Affiliates in all 50 States, Guam, Puerto Rico, and the Virgin Islands and an estimated three and one-half million members who are concerned with the environmental effects of public works projects. And, we see evidence that inadequate attention is being given to these environmental concerns by the Economic Development Administration. In fact, we have been disappointed to see so little attention being given to the environment in these hearings and in hearings held by the House Committee on Public Works.

Our primary concerns center around the fact that project approvals are not undergoing proper review under provisions of the National Environmental Policy Act (NEPA) where environmental problems and the alternatives can be properly assessed. In fact, the entire thrust of these projects appears to be toward development regardless of the consequences. With a short time lag between application and funding, it is difficult to complete a proper review of the projects and some of the approvals could not pass the scrutiny of the Corps of Engineers, Environmental Protection Agency, or Department of Transportation.

To conclude, we hope that the Committee will give prime attention to these principles: 1. limit the program to projects which have no major environmental impact; 2. give preference to projects with high level employment opportunities in rehabilitation, reconstruction, and repair of existing facilities rather than new construction; and 3. exclude new water and highway construction projects which require extensive environmental review.

Sincerely,

THOMAS L. KIMBALL,
Executive Vice President.

THE NAVAJO NATION,
Window Rock, Ariz., February 4, 1977.

STATEMENT OF PETER MACDONALD, CHAIRMAN, NAVAJO TRIBAL COUNCIL

I wish to go on record supporting passage of Senate Bill 427, the Public Works Employment Act of 1977, subject to acceptance of certain recommendations regarding the allocation procedures proposed for the administration of future funding rounds.

The allocation formula should amended give a higher weighting to the long-term benefits of projects proposed for funding under Title I. In particular, those projects which provide the physical infrastructure for significant numbers of public or private operational jobs, in addition to the short-term construction employment the projects would create, should be given priority for funding.

We maintain that this effort must not become a national pork barrel—Congress must legislate that projects are funded only in areas of the most severe unemployment. In line with this, I take exception to proposed language implying that the Secretary of Commerce, acting through the Economic Development Administration, may limit awards to areas in future rounds on the basis of awards under the local Public Works Capital Development and Investment Program of 1976. Assistant Secretary Eden, in a letter to me dated January 19, 1977, stated that "those [Navajo] projects not selected for funding were denied on the basis that approving them would have caused an undue geographic concentration of funds." This is patently absurd. In the three states in which Navajo applications were considered, the Navajo Nation's severity of unemployment of 44.5 percent Navajo per capita income of $805, and absolute number of Navajo unemployed of 28,933, combined to give Navajo projects raw scores which rated Navajo projects, 1, 2, 3, 5, 6, 7 and 8 out of 178 in Arizona, 1, 2, 3, 4, 5, 6 and 7 out of 180 in New Mexico and 1 and 2 out of 170 in Utah. The extreme poverty and unemployment demonstrated in the above statistics argues for an insufficient concentration of funds. Also if Mr. Eden felt that additional Navajo projects would have constituted an undue geographic concentration of funds, why then did EDA fund a project within the Navajo Nation which, while we believe it to be a worthy project, was not reviewed or prioritized by the Tribe as EDA requested?

With respect to all Titles, we believe a set-aside for Indian Tribes and Alaska Natives is a better method, assuring funds without the conflicts that attend distribution of funds between states and Indian Tribes after funds are appropriated. As set out in the Comprehensive Employment and Training Act, 4 percent of the funds would begin to address the needs of Navajos and other Indian Tribes who live with unemployment 6 to 8 times the National average.

Provisions should also be made to change Section 1105(b)(5) so that Indian preference is recognized and provisions are included for its application.

I recommend that the Indian set-aside be administrated through the Regional Offices as they are set up to handle the regular Public Works program. Language in the bill should state that Indian tribes even if they occupy more than one state or federal region (the Navajo Nation spans three states and three federal regions) should be treated as one project area and should deal with one regional office.

BOROUGH OF NEW BRIGHTON,
BEAVER COUNTY, PA., *January 21, 1977.*

To: Senators Randolph, Stafford, Heinz, and members of the committee.
From: Borough of New Brighton, Beaver County, Pa.

Mr. Gerald C. Godwin, Deputy Executive Vice-President of the Pennsylvania State Association of Boroughs has called to my attention that Senator Heinz is seeking information from municipalities relative to the Local Public Works Act. I would be grateful if you would inform Senator Heinz of my comments.

When Borough Council and I learned of the passage of the Act, we were very excited that perhaps we could undertake one or possibly two of the many projects that need to be done. However, in evaluating the Act, 2 billion dollars among all municipalities damped our optimism and the complex regulations required that our engineer charge $1,000.00 to prepare the application made us pessimistic. The engineer was careful to say there were no guarantees that our application would be approved.

However, we remain hopeful that a reasonable amount of money will be allocated to the extention of the Act for municipalities; there be a longer time than 90 days to implement projects; and greater stress be placed on countercyclical funds with less restrictions.

The priority project in the next several years will be the relocation of Borough facilities to a former Armory that funded if you are successful in your efforts of expanding the Public Works Act.

Please convey my appreciation to Senator Heinz for his support to assist local municipalities.

If I can be of any assistance to you, please feel free to call me.

Sincerely,

BOROUGH OF NEW BRIGHTON,
GARRY L. HOGAN,
Borough Manager.

NOOKSACK INDIAN TRIBE,
Deming, Wash., February 1, 1977.

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT,
Dirksen Senate Office Building,
Washington, D.C. 20515
(Attention of Richard Greer.)

GENTLEMEN: The disgrace of unemployment among Indian people should be considered of paramount importance in the planning of Public Works Projects.

This tribe currently has almost 60 percent unemployment and no true progress can be made in this county until this situation is corrected.

We urge you to support request of United Indians Planners Association to set aside 5 percent of EDA Public Works money for Indian people.

Sincerely,

NOOKSACK INDIAN TRIBE,
MICKEY ROBERTS,
Program Coordinator.

NORTH PORTLAND CITIZENS COMMITTEE,
Portland, Oreg., January 18, 1977.

SENATOR BOB PACKWOOD,
Portland, Oreg.

DEAR SENATOR PACKWOOD: The North Portland Citizens Committee would like to bring to your attention the Economic Development Administration funds that are now before Congress. NPCC and the North Portland area are concerned that we receive our fair share of these funds for economic improvement and development of our area. These funds will be used specifically for roadway reconstruction, sewer improvements, special neighborhood improvement projects and special business district revitalization projects. All of these projects represent a high degree of employment in an area that now has twelve percent unemployment. It is realized that all funding from the Federal government is on a priority basis, but as a resident of the North Portland area, I can testify directly to the need of these funds and would appreciate your direct efforts in seeing that these projects be fulfilled.

Sincerely,

STEVE ROSO, *President,*
North Portland Citizens Committee.

NORTH COUNTRY COUNCIL, INC.,
Franconia, N.H., January 25, 1977.

SENATOR JOHN A. DURKIN,
Dirksen Senate Office Building,
Washington, D.C.

DEAR SENATOR DURKIN: The Economic Development Committee of the North Country Council at a meeting on January 21 took note of numerous complaints from local governments in northern New Hampshire about the workings of the Public Works Employment Act of 1976. Unanimously, the committee agreed that a report on the defects of the program mandated by this Act should be brought to the attention of the New Hampshire Congressional Delegation. The committee's hope is that such a report will be useful to the delegation in acting on similar legislation expected to face the Congress in the current session.

The committee reviewed comments on the Local Public Works Program which I had made earlier in a letter to Congressman Cleveland at his invitation. Finding itself substantially in agreement with the views expressed, the committee instructed that copies of the letter be sent to the other members of the delegation. A copy is enclosed. We hope you will find it useful.

Sincerely,

VINCENT R. DAHLFRED,
Director of Economic Development.

Enclosure.

NORTH COUNTRY COUNCIL, INC.,
Franconia, N.H., January 18, 1977.

HON. JAMES C. CLEVELAND,
U.S. House of Representatives,
Rayburn House Office Building,
Washington, D.C.

DEAR JIM: You invited comments on the Local Public Works Program. Here they are.

A major defect of the program was the inadequate amount of time allocated by the legislation for preparation of applications. Although the basic rules of the game were laid down in the Federal Register of August 23, 1976, amended on August 30 and September 13, and published in final form on October 14, the typical applicant didn't know what was required of him until he first saw a copy of the application. For most applicants, that was in early October. Since the deadline for receipt of applications was December 3, this meant that most applicants had about two months to make their case.

Two months from inception to submission left no time for the kind of screening process which, up to this time, had apparently become standard procedure by federal agencies in disbursing funds for public works projects. EDA, HUD, and FmHA all normally require preapplications prior to authorizing execution of final applications. EDA even calls for a pre-preapplication review of a project profile prepared by a staff Economic Development Representative. The result of this process is that projects found unfundable are identified before the applicant has made large investments of time and money in application preparation. Of projects which survive pre-application application review, only a tiny percentage fail to make it through the final application stage.

Contrastingly, of 26 applications for Local Public Works funds from the North Country, only two wound up on the list of "successful" applicants published in the Federal Register. Whether they are, in fact, "successful" has yet to be determined. At this writing, neither has cleared the final review to determine that they are in compliance with provisions of the Act.

The amount of time invested in preparing applications is hard to comprehend for anyone who hasn't himself wrestled with one of these applications. One of our selectmen estimated that he had spent 100 hours on his. This probably isn't far from the norm. Multiplying these man-hours by the number of applications from this area which didn't make it to final consideration (100 times 24) results in an investment of 2,400 man-hours (60 40-hour weeks) of local officials' time without the hoped-for results. To this investment of time by local officials should be added the time spent in providing technical assistance to applicants by staff people of agencies like the North Country Council. A reasonable estimate is five hours per application, a total of 120 hours for the 24 applications which failed to qualify for final consideration, or about three man-weeks of what, in retrospect, turns out to have been unproductive labor. The grand total of 63 man-weeks devoted to preparation of unsuccessful applications from this one small area would, I am convinced, have been reduced by something like 90 percent if the program had provided the time for an orderly pre-application process designed to separate hopeless projects from those which had reasonable prospects for funding.

These estimates of wasted man-hours do not include the time spent by engineer/architect consultants, which represents an out-of-pocket cost to the local applicant. In theory, the investment in professional services should not have been large; the short time provided in the legislation for preparation of applications implies a belief by the Congress that projects submitted for consideration would have been almost completely engineered in the past. If this was the intent, it failed of realization. Of 26 projects proposed from the North Country, I can identify only four which had been substantially engineered prior to passage of the Act. It is not clear whether it was the intent of the Congress to limit consideration of public works projects under this Act to those which had been substantially planned in the past and, conversely, to discourage submission of projects which were assembled from whole cloth hastily to take advantage of a new source of funding. If this was the intent, the Act failed to provide for implementing it. Provision in the act for sufficient time for an orderly pre-application process would have been an effective method of implementing Congressional intent—if, of course, the funding of off-the-shelf projects had been the intent of the Congress.

Theoretically, investments in engineering/architectural services ought not to be considered wasted because projects proposed unsuccessfully for funding under this Act may become realities in other times and under other circumstances. Again, theory may be at odds with reality. Projects conceived and engineered on the assumption that they may qualify for 100 percent federal funding will, in many cases, never be built with local money. Local governments will spend "free" federal dollars for different purposes than they will spend their own.

As the old saw has it, haste makes waste. A piece of legislation which tried to do too much too fast led local governments in this area—and elsewhere, too, I am sure—to invest time and money in chasing what many found to be a nonexistent pot of gold at the end of the rainbow.

An unfortunate by-product result of the Act grows out of this pot-of-gold concept. Only a small percentage of all applicants actually found gold, but the success of these few confirms in the unsuccessful a conviction that, if they can only find the right formula, the pot of gold will also be accessible to them. This notion, if it becomes well established, could contribute to defeating the purposes of the Act. In contemporary jargon, it would be "counter-productive," because local governments which believe in the future possibility of 100 percent federal funding as a result of some not-yet-passed piece of federal legislation will be reluctant to spend local dollars now. A number of engineers retained as consultants in preparation of applications under this Act tell me that this attitude is already well established with their clients.

A disposition to delay spending of local dollars so long as there was a possibility of substituting federal dollars existed, of course, before the advent of the Local

Public Works Act. But its effects wre confined to types of public works for which there were established precedents for federal financial participation, like those eligible under EDA, EPA, and FmHA legislation. But under the Local Public Works Act almost any kind of public works project became eligible for consideration and the disposition of local governments to condition local public works activity an availability of federal dollars was substantially reinforced.

In any future public works legislation, this unfortunate effect could be minimized if the Congress limited eligibility to projects which furthered established national goals such as pure water, pure air, housing, economic development and the like. Excluded would be projects which traditionally have been a local responsibility such as town buildings, fire stations, and perhaps, schools. The effectiveness of the legislation would be the same, because jobs in the eligible category contribute as much to the national economy as those in the ineligible category. Collectively, local governments would benefit from the same level of federal investment. But there would be a major dividend in the form of a clearer line of demarcation between federal and local responsibilities, where the distinction, already blurred, was further obscured by the Local Public Works Act.

A word about the rating system for projects mandated by the Act. Any formula for a rating system has to be arbitrary. It will be criticized by those who fail to qualify under it, accepted by those who profit from it. In spite of the many complaints about the system set up by the Public Works Act, it wasn't that bad. The volume of criticism resulted from the fact that the Act invited many times more applicants than could be satisfied from available funds, and dissatisfied applicants generally took out their unhappiness in complaints about the rating system. A different rating system for disbursing the same amount of funds would have resulted in the same volume of protest, but from a different set of unsuccessful applicants. The rating system was imperfect, but most criticism directed at it should more appropriately have been directed at other provisions of the Act, concerning which I have already said what I have to say.

One final comment. Like the rating system, the Economic Development Administration has come under fire from those who were unhappy with the way that funds made available under the Act were parceled out. The criticism is unfair. Given the time constraints and the criteria for project selection written into the Act, EDA's administration seems to me to have been a meticulous job of carrying out the instructions of the Congress. If there is fault to be found with the workings of the Act, the cause is in the Act itself, not in the implementing agency.

Sincerely,

VINCENT R. DAHLFRED,
Director of Economic Development.

OFFICE OF THE BOARD OF SUPERVISORS,
NOTTOWAY COUNTY,
Nottoway, Va., January 24, 1977.

Senator HARRY F. BYRD,
U.S. Senate,
Washington, D.C.

DEAR SENATOR BYRD: This past summer Congress passed into law the Local Public Works Employment Act of 1976. This Law provided among other things, $2 billion dollars to local government for the construction of Public Works Projects.

Nottoway County prepared and submitted an application for the construction of a consolidated senior high school. The total cost of the project was $4.4 million dollars with $2 million dollars of local funds being used to complete the facility.

In addition to creating jobs for a period of around 18 months, this project, if funded, would have provided Nottoway County citizens with a modern up-to-date facility in which to educate their children. We recently received notification from EDA that our project application was denied because the funds had been exhausted.

It is our understanding that Congress is now contemplating an additional legislative package for the purpose of stimulating the economy. We would like to urge you to favor such legislation when presented.

We further urge Congress to direct the Economic Development Administration of the United States Department of Commerce to consider first the applications already submitted under the 1976 Public Works Bill. There was considerable costs in preparing the prior application for our government, and I am sure the administrative costs incurred in the Federal review of the $25 billion dollars worth of applications must be staggering. Therefore, by utilizing applications which have been reviwed previously, public works projects could be reviewed with less administrative costs and the approved projects could be initiated more quickly.

Sincerely,

Peter Harris Fitzgerald,
Chairman.

City of Omaha,
Omaha, Nebr., February 1, 1977.

Hon. Carl T. Curtis,
U.S. Senate,
Washington, D.C.

Dear Senator Curtis: Thank you for your letter of January 27. I appreciate being asked to send you my comments regarding the Economic Development Administration Evaluation Procedures applicable to Public Law 94-369. These, I understand, will be read into the record of the February 2 and 3, 1977 Committee on Public Works Hearings. Please enter my comments as follows:

As the Chief Elected Official of the City of Omaha, I am of the opinion that the method of determining the initial funding apportionment of the Public Works Act of 1976 was not in keeping with the original intent of Congress.

Basically, the Public Works Employment Act of 1976 was to provide job opportunities in areas of high unemployment through the expeditious construction or renovation of useful public facilities.

If indeed the areas of high unemployment are located in the poor areas of our major metropolitan cities and if indeed the major economic problems of this country rest in our major cities and if indeed the intent of the Public Works Bill was to help solve these problems, then:

(1) Eliminate the 70 percent-30 percent formula.

(2) Disallow "piggybacking" by the suburban and rural communities using city unemployment figures.

(3) Change requirement concerning Median Family Income. It is an established fact that rural areas have a lower median family income than urban areas and in the last apportionment this figure, when fed into the computer (other formula criteria being equal) was the "tie breaker" that shifted the funding to the rural-suburban areas.

(4) Issue funds to the Chief Elected Official of the major metropolitan areas. That Official has been charged with the responsibility of establishing priorities and meeting the needs of his area and as such, is best prepared to channel these funds in the manner originally set forth by Congress.

(5) It is my feeling that funding of Indian projects should be set aside from the Public Works apportionment. Our City of Omaha projects must vie with Indian projects for funding simply because there are several areas of Indian population concentration in Nebraska. This is an inequality borne by Omaha and not by all other metropolitan areas.

I would also like to point out that there already exists a Federal Program which could, in effect, assist in solving the difficulties of apportionment. Funding could be easily done through the extension of the prime sponsors designated under the present Comprehensive Employment and Training Agency Act. I point out that this already has been done since many Comprehensive Employment and Training Agency programs are currently administering Title 10, Economic Development programs.

Thank you, Senator Curtis, for this chance to express my comments regarding the Economic Development Administration Evaluation Procedures. Please feel free to add to my comments as they are not to be considered to be inclusive of all problems which exist in the present evaluation procedures of Public Law 94-369.

Please call on me if I can be of further assistance.

Sincerely yours,

Robt. G. Cunningham,
Mayor.

P.S.—Regarding our application for the $3.7 million sewer project, Senator Zorinsky and his aide, William Kranda, are personally acquainted with that project and, as such, can offer expert testimony at the hearing.

COMMONWEALTH OF PENNSYLVANIA,
DEPARTMENT OF COMMUNITY AFFAIRS,
Harrisburg, January 28, 1977.

Hon. QUENTIN BURDICK,
Acting Chairman, Subcommittee on Economic Development, Public Works and Transportation Committee, U.S. Senate, Dirksen Senate Office Building, Washington, D.C.

DEAR SENATOR BURDICK: The Pennsylvania Department of Community Affairs, working in close coordination with the Philadelphia EDA office, provided information and technical assistance to Pennsylvania municipalities and school districts on the requirements of Title I, Public Works Employment Act of 1976. At the request of that office, the Department organized and conducted orientations on Title I for several hundred interested Pennsylvania municipalities. The Department also maintained contact with the State Department of Labor and Industry to assure that available unemployment data were readily available to potential applicants. Subsequent to the Act, the Department analyzed several hundred of the 1700 applications received from Pennsylvania municipalities and school districts to determine the nature of the project, the degree of labor intensity, etc. As a result of this experience, we have developed several views with respect to Title I of the Act. These views are set forth in the attached paper and offered for consideration by your Subcommittee.

Sincerely,

WILLIAM H. WILCOX,
Secretary of Community Affairs.

Attachment.

PROPOSED REVISIONS TO TITLE I, PUBLIC WORKS ACT

(Pennsylvania Department of Community Affairs, January 28, 1977)

ELIMINATION OF 30 PERCENT POT

Reason: The 70–30 split in the funds was legislated in order to assure that those states with relatively low unemployment would receive a share of the funds. The Act itself mandates only that 30 percent of the funds be available for projects in areas with unemployment between 6.5 percent and the national average. However, the regulations promulgated by EDA extended this concept by creating a 70–30 split in each state. This factor led to the funding of projects in some areas of Pennsylvania where the unemployment rate was 7.5 percent or less, while projects in areas where the rate was in excess of 10 percent went unfunded.

Method: The most equitable manner in which to distribute the funds would entail the elimination of the 30 percent pot by amending the Act to remove Section 108(d). This will probably be politically impossible given the power of many Congressmen from states with relatively low unemployment. It would be more feasible to have EDA eliminate the 70–30 split in states where the statewide rate exceeds the national average but continue to allocate 30 percent of the funds nationwide to those states and local governments whose unemployment rate is below the national average.

REDUCE THE WEIGHT GIVEN TO THE FORMULA UNEMPLOYMENT RATE FACTOR

Reason: Under existing regulation, an applicant may use data from its own jurisdiction, the county, the labor market area, or any combination of contiguous counties from which it may expect to draw the labor force. This rule has given applicants the opportunity to use unemployment numbers and unemployment rates that are often far in excess of the rate and level of unemployment in the municipality itself. In order to prevent wealthier communities from taking advantage of the system by using the higher unemployment figures of the central cities and contiguous counties, applicants should be limited to using data that would more closely reflect the unemployment of the applicant community. This might be done in a manner similar to Title II. For example, local governments for which CETA unemployment data exist could use those data; suburban municipalities may use the balance of county rates; rural communities may use the county rate.

Method: Amend Section 108(f) of the Act to limit the applicants in the determination of their unemployment rate. The scoring system allocates 30 percent of the basic rank on the number of unemployed in the project area; hence, if this limitation is imposed, it would be necessary to reduce the weight given to the number of unemployed (to preclude undue concentration in a single large city or urban county).

INTRODUCE PROJECT WORTH OR NEED IN THE RANKING FORMULA

Reason: Certain types of projects are, obviously, of greater benefit to the local citizenry than others. In light of increased environmental standards, it would be beneficial to target a greater proportion of public works funds to projects such as sanitary sewer improvement and construction and water supply improvements. Over the past few years, costs for road and street maintenance have increased much faster than municipal revenue for that purpose; the public works funds could be put to excellent use for these projects.

Method: Section 316.10(a)(2)(ii) of the regulations should be amended to add an additional consideration in the project selection formula. This consideration might be worth a maximum of 15 percent of a project's basic rank. Projects could be divided into certain categories, each assigned a value depending on the worth of that particular type of project. Another method might be to have each application graded in EDA's regional office for benefits that might accrue to the applicant's jurisdiction if the project is funded.

APPLY A GRADUATED RATE OR SLIDING SCALE WEIGHT TO LABOR INTENSITY

Reason: Under the regulations, the relationship of labor costs to total project cost are given a weight of 30 percent in the ranking formula. Any project that has labor costs that are between 35 percent and 80 percent of the total project cost are given the maximum of 30 percent of the basic rank. Those projects that show labor costs between 10 percent and 35 percent are ranked on a sliding scale. Projects with 35 percent labor cost are given the maximum score and projects with 10 percent labor cost receive the lowest score. Since the public works program is intended as a job-creating program, it seems logical that these projects exhibiting the greatest labor intensity should be scored higher.

Method: By amending the regulations (Section 316.10a–2C), the projects with an 80 percent labor cost could be ranked at the maximum with all other percentages receiving lesser scores down to the minimum acceptable percentage of 10 percent.

Two other considerations are worthy of mention, assuming a refunding of the Title. First, EDA should not require resubmittal of applications; the existing applications should be used but new applications should be accepted as well. EDA should require, in any event, an update of the unemployment rates from the municipalities. It would facilitate equitable distribution of funds if all applicants used data from the same three-month time period to be determined by EDA. Second, the regulations to all procedures which affect project selection should be explicitly stated in the regulations. For example, EDA sought to prevent undue geographical concentration of projects selected within a state. Under the first round of funding, EDA established a procedure that set up benchmark figures for each county. When that figure was met, no further projects in that county would be funded regardless of the rank of any project application.

PENNSYLVANIA SCHOOL BOARDS ASSOCIATION, INC.,
Harrisburg, Pa., January 31, 1977.

To: Senators Randolph, Stafford, Heinz and members of the committee.

From: Pennsylvania School Boards Association, Inc.

The Pennsylvania School Boards Association is grateful for this opportunity to comment on the implementation of the recent Public Works Employment Act of 1976 and its impact on Pennsylvania's public schools. Although the Association participated in the program only to the extent that it republished the law (P.L. 94–369) and the Department of Commerce's guidelines for school districts in the Commonwealth, it is gratifying to witness that thirteen projects, totalling between $23 and $24 million have been initially approved.

We note, however, that Pennsylvania appears to have received less than its overall entitlement, which should have amounted to about $112 million based on population.

We understand that there have been some challenges to the Department's established criteria for project selection because school districts fared favorably in the distribution. Our Association has no idea of the total number of projects submitted, or the total number of school projects submitted. We cannot comment pro or con on the project selection process other than to say we regard it as equitable when certain factors are realized. We call your attention to the following:

(1) School districts in Pennsylvania have a long standing requirement to maintain a five-year plan with the State Department of Education. This includes enrollment projections and required construction/remodeling projects for school plants. Thus, our school districts were perhaps favorably prepared to enter a project application quickly, and with less effort, because several initial steps had already been undertaken or were in process.

(2) It is our understanding that it took considerable argument to include schools in the rulemaking provisions. This is the first federal funding since the period following the great depression that school construction projects were included. Perhaps it follows that a greater number of school applications were in the initial consideration. We would be interested in knowing the actual percentage. We believe it could be a considerable number out of the total submission.

(3) School districts geographically comprise several communities particularly boroughs and townships within their service area, and federal dollars supporting public school construction serve more children and more adults, including the elderly in not just one, but several municipalities in the same project.

(4) In the shadow of recent federal laws and regulations, Pennsylvania public schools are faced with added space requirements and alterations to support the expanded education of the handicapped programs and Section 504 of the Rehabilitation Act of 1974 which causes severe alteration to most existing buildings.

(5) The Pennsylvania Department of Labor and Industry has launched an Office of Safety and Health Administration based compliance program on school buildings aimed primarily at wooden structures, requiring fire proofing, sprinkler systems, etc., and some school districts are being required to abandon certain schools. To our knowledge, municipal buildings are not yet targeted for this compliance program .

No one item has greater tax impact on a community than its long term debt service for school construction. It typically amounts to 10% of school district budget on the statewide average, but some districts run as high as 25% of budget for construction. When you consider how much larger the typical school district's budget is when compared to the community's budget, it becomes apparent that federal dollars to school districts relieve a greater community burden.

In closing, we sincerely wish to thank the federal government for the consideration our member school districts received in the last funding, and for the opportunity to enter the above comments. It is our desire to receive similar consideration in the upcoming Public Works Grant Competition.

Sincerely,

JOHN A. SEELINGER,
Assistant Director of Governmental Relations.

COMMENTS ON TITLE I OF THE PUBLIC WORKS EMPLOYMENT ACT OF 1976

PRESENTED BY JOHN E. MINNICH, EXECUTIVE DIRECTOR AND JAMES B. ALLEN, ASSISTANT EXECUTIVE DIRECTOR, PENNSYLVANIA STATE ASSOCIATION OF COUNTY COMMISSIONERS

January 31, 1977.

Dear Senators Randolph, Stafford, Heinz, and members of the committee: It is our pleasure to share with you concerns of the Pennsylvania State Association of County Commissioners about the "Public Works Employment Act of 1976", and any future legislation Congress may consider for public works. Our comments will be limited to Title I of the Act.

In Pennsylvania, there are 67 counties. In addition, there are in excess of 2,500 other units of local government made up of townships, boroughs, and cities. Counting school districts and authorities the total is in excess of 5,000 eligible units. So you can see that Pennsylvania is somewhat unique in the nation as to the make-up and number of eligible local government units competing for the limited dollars allocated for public works. Of the 67 counties in Pennsylvania, only five received approval for a project.

One of our concerns is the decision to define school districts in the regulations as a unit of local government. This appears to be inconsistent with the definition contained in the Act. We do not believe it was the intent of Congress to include them. We would recommend school districts be excluded in any future public works programs. Declining enrollments, defeated local referendums for capital expenditures, and questionable use of public works money for projects add weight to this recommendation.

It is our understanding that in Pennsylvania at least, some units of local government surrounding an area with a high rate of unemployment were able to apply that rate of unemployment to their application. This gave them an advantage over areas where the rate of unemployment was not quite as severe. As a result, projects were approved for communities based on an unemployment rate that, in fact, was not the unemployment rate for that particular community. We would recommend careful consideration be given to restricting the unemployment rate to the applicant's jurisdictional boundaries. Because the Bureau of Employment Service cannot always provide statistics for a given political subdivision, we would recommend bonus points be assigned those political subdivisions where the Bureau of Employment Service can clearly identify the unemployment rate.

Consideration in any subsequent public works programs should be given to the thousands of existing applicants and their relationship to any new applicants. Are they to be treated equally? We would urge that this would not be the case. What happens to the ratings that have already been assigned to projects not funded? Must the process begin all over again? We would hope not.

The requirement for a 90-day start-up of an approved project has caused many local governments to spend a considerable amount of tax dollars for engineering and architectural fees in preparing plans in anticipation of a project award. In thousands of cases, local tax dollars have been expended to develop plans that will not be utilized because of a failure to qualify for funding of the project. We would recommend that consideration be given to a project start-up time of 140 days subsequent to a project award. This would permit sufficient time for preparation of final plans and drawings and proper bidding procedures on construction projects. Many local governments were under pressure to expend funds for preparation of plans and drawings, because of pressure from within the community. Not to apply for federal dollars, even though the chance of success was minimal, would not have been politically expedient.

A question that remains unanswered is, what happens to funds approved for a project which later is disqualified for failure to comply with the 90-day start-up provision? How, and on what basis, will the additional funds be awarded? Will the rating priority assigned to existing applications remain the same?

Rural counties with high unemployment but low population density seem to have been completely overlooked in the allocation system established by the economic development agency. Smaller counties with high unemployment, low per capita income and very limited tax base and borrowing capacity were excluded from project awards. This situation must be considered in any future funding formula.

Local government units submitting more than one application should be required to prioritize their projects. Under the current awards, many projects with extremely low local priority were funded while higher value projects went without public works money.

These are a few of our concerns surrounding the present public works employment act and any future action Congress may deem necessary.

Thank you for permitting us to submit our comments. We would be available at any time should you have any questions or desire further information.

Pennsylvania State Association of Township Supervisors

CAMP HILL, PA.

Senator Jennings Randolph, Senator Robert Stafford, Senator H. John Heinz, III, and members of the Public Works Committee, we, the Pennsylvania State Association of Township Supervisors, wish to thank you for this opportunity to express our concern with the Title I funds of the Local Public Works Employment Act of 1976 as managed by the Economic Development Administration.

For your information, the Pennsylvania State Association of Township Supervisors represents 1458 municipalities in the State. Approximately 3½ million persons, more than one-third of the 12 million citizens, live in these townships which cover 90 percent of the total land mass.

The Public Works Act was to allow employment opportunities in areas of high unemployment through expenditures on construction or renovation of useful public facilities by funding locally oriented projects. Although this is an admirable program, only 68 out of 1344 applications in Pennsylvania received funding.

Major problems encountered with the funding of the LPW projects preceded the signing of the Bill into law. With the short time factor involved municipalities had difficulty preparing the necessary plans, obtaining the permits and other requirements in order to submit a complete and precise application form before the stated deadline.

This in itself created a problem in that townships were reluctant to spend money on plans prior to the signing of the LPW Act. After its signing, they were hindered by the time constraints.

A municipality which had plans that were complete and updated was in a position to await the signing of the Bill. Most townships are not in that position. It is not possible for most of them to keep plans on the shelf waiting for funding to come along. Plans change and are updated. This results in an additional cost to a project if it is ever completed.

If a township gambled on funding and had plans drawn up, they would have a difficult problem explaining the expenditure of a substantial sum of money with no visible results if the Bill had failed. Taxpayers' money which is spent for this work should be spent on surer things.

The next problem is in the application and review process. Instructional information for applying was confusing and often contradictory. Municipalities were encouraged, though indirectly, to apply for the 70 percent allocation category, rather than the 30 percent allocation category. This created an unforeseen problem with the result that only 2 percent of the townships applying for 70 percent funding received any funds. Although staff members at the Atlantic Regional Office were congenial and willing to assist, they were unfamiliar with the process. This only hindered the township in submitting erroneous applications.

If the application process was confusing to the applicants, the determining process was worse. Although a point scoring system was set up, there does not seem to be any set criteria for the selection process. We realize that there is only a finite amount of money, yet townships were slighted in the allocation process.

Approximately $84 million was allocated to Pennsylvania. It is unfair that townships only received 5 percent or $3,843,173 when they represent one third of the population. Township government faces the same problems which other governments have faced. Without proper aid, they too will be in the same economic situation. The cities in Pennsylvania have approximately the same population as townships yet they received 22 percent of the allocation. Boroughs have approximately one-fourth the state's population, yet they received 20 percent of the total amount allocated.

Should this program be extended, the applications which already have been filed with EDA should be given first consideration. In this way, municipalities which have spent the time and money for the original program could receive some returns.

A consideration should also be given to a simplified application and review process. This program is to aid jurisdictions and not to create additional problems.

We have attached additional material from individual townships to be considered as supplemental testimony.

Gentlemen, thank you for your consideration.

PENOBSCOT-PASSAMAQUODDY TRIBAL PLANNING BOARD.
Calais, Maine, February 2, 1977.

Mr. RICHARD GREER,
Senate Public Works Committee,
U.S. Senate,
Washington, D.C.

DEAR MR. GREER: Per our telephone conversation, enclosed is the testimony for the Penobscot and Passamaquoddy Tribes on the proposed second round of the LPW bill.

We hope that the testimony is included in the final report and that the recommendations are implemented. Thank you.

Sincerely,

ANDREW X. AKINS,
Executive Director.

Enclosure.

This testimony is presented, regarding the Congressional Hearings on the, "Public Works Employment Act of 1977."

As with the previous Local Public Works Act, the main intention of this proposed bill is to provide immediate employment for those areas with the greatest need of assistance. Indian Reservations, both federal and state along with Alaskan native villages continually show unemployment rates five to ten times the national average and per capita incomes three times lower than the national average. These figures, documented by the Bureau of Indian Affairs, some State governments and the Indian communities themselves warrant preferential treatment for this segment of the U.S. population.

In the last round of the LPW of 1976, Indians throughout the Country received approximately, $62,690,893. This allocation to Indians has caused an uproar of protest from states, cities and local communities. It was and is felt that the Indian allocation "took" money from the program that was more greatly needed in non-Indian communities. To this, the Penobscot and Passamaquoddy Tribes say, "bunk."

The following matter has been expressed many times before, but circumstances have not changed to improve the situation. Indians in this Country are and continue to be the long neglected minority in the United States. Critics can point to many programs in many agencies established solely for Indians, but do not look closely at the budgets. There are simply not enough funds available to meet even the basic necessities of Indian Tribes. We, Indians, did not put ourselves in this position. Yet, we remain willing to work within the established system to better ourselves. The ultimate goal of the Penobscot and Passamaquoddies is to reach a level of self-sufficiency so that our dependency on federal and state funds allows us to decrease year by year our funding requests. We can only accomplish that now, by receiving a fair share of the allocation of this current bill and the many others. We, Indians, continue to be allocated just so much to allow us to reach a certain level of development and then either receive a cut or are maintained at that one level of development. Our interest is for a better life for our people, but we are not encouraged nor assisted through an increase of spending ability. As related, these matters have been brought forward many times and will continue to be for as long as the water shall flow and the grass shall grow or until the many obstacles that face us are removed.

If there is to be a separate set-aside out of the "Public Works Employment Act of 1977," the Penobscot and Passamaquoddy Tribes recommend the following funding level and the following criteria for the program:

1. That the set-aside allocation for Indians be a minimum of five (5%) per cent of the total Allocation.
2. That the allocation be set-aside on a national basis and not on a regional or state basis.
3. That only reservations, both federal, state and Alaskan native villages be eligible.
4. That the Economic Development Administrations, Special Assistant for Indian Affairs have a key role in providing advice and counsel on the operations of the Indian allocation.
5. Projects in excess of one (1) million dollars not be eligible for funding consideration. Any project below that amount, including up to $999,999.99 be considered equally with smaller requests.
6. That projects with long-term economic, health and social benefits be given priority consideration.
7. That all eligible Indian Tribes, regardless of funding through LPW, 1976, be given equal priority consideration.
8. That eligible Indian Tribes may submit as many applications as they deem necessary to fill their basic and emergency needs.
9. That all previous recommendations include both Titles I and II.
10. That the age for participation in Title II, the Youth Community Improvement Program be lowered to the age of fifteen (15).

We thank the respective committees for the opportunity to have a voice in the proposed legislation.

Contact persons: Andrew X Akins, Executive Director, Penobscot/Passamaquoddy Tribal Planning Board, 173 Main Street, Calai, Maine 04619, (207–454–7161).

STATEMENT OF CHARLES D. PHILLIPS, ED. D., PRESIDENT OF THE AMERICAN PROTESTANT HOSPITAL ASSOCIATION

February 4, 1977.

Mr. Chairman, I am Charles D. Phillips, president of the American Protestant Hospital Association, representing some 300 hospitals, homes for the aging, and other health care agencies throughout the country, as well as some 2,000 personal members who are engaged in the delivery of health care services.

I appreciate this opportunity to convey the support of APHA members for the Public Works Employment Act of 1977 (S. 427) introducted by the distinguished Senator from West Virginia and chairman of the full Public Works Committee, Jennings Randolph. In particular, I wish to express our appreciation for Senator Randolph's including private nonprofit hospitals in the program for the first time. The American Protestant Hospital Association feels that this will prove to be a significant improvement in a very necessary program. Since the need for extending this program is apparent—7.8 percent unemployed currently—my statement will be brief.

Much criticism has been expressed concerning the 1976 Public Works Employment Act, but in terms of the number employed in the almost 2,000 projects funded, the program was a success. For each of these 2,000 grant recipients, there were twelve applicants denied. This, of course, explains the criticism, but it also supports the argument for extending the program. Some critics have complained about the Economic Development Administration's lack of priorities in awarding these grants. The American Protestant Hospital Association feels that the program could use improvements in this area and will explain why.

The twin goals of the Public Works Employment Act of 1976 were not only to create jobs quickly but also to create jobs that would be of long-term nature in projects that would have a lasting benefit to the community. It is in recognition of these goals and the need to further reduce unemployment that Senator Randolph introduced S.427 with Section 103(b) including "projects for construction, renovation, repair, or other improvements of health care or rehabilitation facilities owned and operated by private nonprofit-making entities." Last year's program did include publicly owned hospitals and some 49 received a total of about $62 million. I would point out, however, that in many communities only a private nonprofit hospital exists to meet health care needs. This is especially true among APHA members. A majority are located in the South and Southwest. Many are in need of modernization to meet new government regulations as well as to improve efficiency and provide needed new services.

The cost of such capital improvements adds to the cost of hospital care, but with public works grants these costs can be reduced. At the same time, the number of employed can be greatly increased with new long-term jobs in the hospitals as well the jobs necessary for the actual construction. I would add that hospitals are by nature labor-intensive. For each patient-bed there are at least three hospital workers. It is an additional benefit that new industry is often attracted to a community that has good hospital facilities. No hospital project, of course, should be eligible for a grant unles it first has the approval of the local health planning agency as required by law (Public Law 93–641, Health Planning and Resources Development Act).

The American Protestant Hospital Association strongly supports the inclusion of private nonprofit hospitals in S.427. However, we make one recommendation:

> That the proposed legislation to expand the Local Public Works and Capital Development and Investment Act be amended specifically to declare private nonprofit health care facilities eligible to participate in any additional allocations for fiscal year 1977 and for any subsequent years that the program is operational.

Thank you, Mr. Chairman, for allowing the American Protestant Hospital Association to express its views on this important program for our nation's unemployed. If you or other members of the committee have any further questions, I will be pleased to answer.

Testimony by Margaret T. Hance, Mayor, Phoenix, Ariz.

Mr. Chairman, members of the committee, 14 months ago, my predecessor presented testimony to the Subcommittee on Economic Development of the Senate Public Works Committee in oversight hearings on Title X of the Public Works and Economic Development Act. The last statement in his testimony was, and I quote, "I do not like to be in a position of crying 'sour grapes', however, I feel I must say and do what I can for the majority of Arizona's unemployed who are, after all, most hurt by the law designed to help them." That statement, gentlement, is a succinct synopsis of the testimony I would like to present to you for the record.

Although my remarks are quite critical, I trust they will be accepted in the manner in which they are offered—a constructive critique which, hopefully, will assist you in any reconstruction of the legislation.

As you may know, the city of Phoenix did not receive any assistance under Title I of the Public Works Employment Act. This, I submit, is a national disgrace and a local outrage.

Of the 68,516 unemployed workers in the State of Arizona during the second quarter of 1976, 38,406 or 56 percent of these persons were seeking employment in the Phoenix SMSA. Twenty-six thousand of these persons live in the city of Phoenix. This represents over 8 percent of our total labor force. Based upon our computation of the ratio of the number of unemployed persons living in Phoenix to that of the total number of unemployed persons in the State of Arizona, I believed that intra-state equity in the distribution of Arizona's $13 million allocation under the act would allow us a reasonable claim on approximately 4.5 million of those dollars. However, since the regulations developed by the Economic Development Administration turned the distribution of federal aid to provide jobs for our unemployed citizens into a program not dissimilar to that of a national lottery, I instructed my staff to develop applications seeking $9 million. These 14 applications cost us $20,000 to develop.

When my staff advised me 3 weeks ago that, although EDA had accepted, as qualified, each of the projects we had submitted—projects which would have provided jobs for 593 people in the construction trades and which would have left a legacy of 80 to 90 jobs in the community, along with vitally needed urban infrastructures; that despite the quality and acceptability of the proposals—not a single project was chosen for funding, I was actually shocked. Gentlemen, after an analysis of the funding decisions made by EDA in the State of Arizona was presented to me, I submit this testimony with a deep sense of disappointment and outrage.

SET-ASIDE FOR INDIAN TRIBES

Under Title X, my predecessor advised the Senate that although, at the time, the Phoenix SMSA had 63 percent of the State of Arizona's unemployed persons, EDA awarded only 3 percent of the State's Title X allocation to the area. He stated that one possible reason for the inequitable distribution of those funds was due to the disadvantage of being placed in a competitive situation with Arizona's Indian reservations. Under Title X Indian tribes in the State of Arizona received 45 percent of the total State allocation. He suggested that any similar legislation provide for a special set-aside for Indian projects as those found in other legislation, such as the Housing and Community Development Act of 1974.

Unfortunately, his suggestion was not accepted.

As we followed the progress of the legislative debate over Title I of the Public Works Employment Act, we were heartened to learn that the Senate Committee Report (S. 3201) recognized the plight of unemployed construction workers in Phoenix. The report states that . . . "certain urban areas are currently experiencing extremely high unemployment rates in the construction trades. Phoenix 43 percent; Chicago 34 percent; Baltimore 42 percent; St. Louis 21 percent; etc.". We were heartened also to learn that there was an assignment of priority to programs and projects sponsored by State and local governments.

Altogether there appeared to be a sincere effort to learn from the mistakes of Title X and to make the necessary modifications in the new law. Unfortunately, a set-aside provision for Indian tribes was not included in the legislation.

Thus, when the Public Works Employment Act became law and interim regulations were promulgated by EDA on August 23, I expressed our concern to

Assistant Secretary Eden in the pursuit of an administrative remedy to our dilemma.

Specifically, we questioned the following criteria set forth by EDA:

(1) EDA has established a potential total of 100 points to determine basic project rank. Twenty-five points were to be determined by a jurisdiction's unemployment rate. I stated, "The city of Phoenix should not be competing with Indian tribes, some of which claim to have unemployment rates in excess of 75 percent. Data on reservations are often haphazardly gathered whereas unemployment rates for other local jurisdictions must be carefully certified. by the Department of Labor or the State."

Although 30 points were to be determined by the number of unemployed persons, we did not feel that this would compensate for the heavy weight given to a jurisdiction's unemployment rate due to desparities in statistical sampling methods.

(2) EDA had assigned 15 points to local per capita income. However, no consideration had been given to variations in the cost of living within a state. It goes without saying that the cost of living and per capita income have a direct relationship. Urban areas, with characteristically higher costs of living, were bound to score poorly on this criterion.

I proposed that EDA set aside a certain proportion of the State's expected allocation under the Act for Indians based on the relative number of unemployed persons residing on reservations. We believed this would help avoid the situation that occurred under Title X and would augur favorably for a more equitable distribution of funds within the State of Arizona.

Mr. Eden's reply indicated that EDA shared my concern that Title I be administered fairly. "Consequently," he stated, "EDA developed a ranking system for evaluating project proposals which will insure an equitable geographic distribution of grant funds by accounting for relative distress as well as identifying areas with perhaps lower rates of unemployment, but substantial numbers of unemployed."

But, an Indian set-aside was not forthcoming. Citing Section 107 of the Act, he stated that, "Nowhere in the Act is there language which permits exception to these primary imperatives."

I believe he meant that EDA could not handle the matter administratively.

For the record, I have appended a table to this testimony which clearly indicates that Phoenix is not alone in this predicament. For example, in Montana 66.5 percent of the 70 percent allocation went to Indian tribes; in North Dakota, 97.9 percent; in South Dakota, 100 percent.

I must urge you therefore to consider a legislative remedy for this dilemma.

Since the need for economic development and jobs is so very critical on Indian reservations throughout the country, I would encourage you to consider the possibility of special legislative relief exclusively for recognized Indian tribes and other native Americans. Short of that, if the initiative to reauthorize the Public Works Employment Act is undertaken, I ask for an amendment allowing a special set-aside for Indians.

RURAL BIAS OF EDA

Aside from the city's poor competitive position vis-a-vis Indian tribes, other criteria and techniques developed by EDA in implementing the provisions of Title I of the Act, also served to create this unconscionable inequity.

Earlier, I stated that 15 points were assigned to a jurisdiction per capita income without any consideration given to variations in the cost of living between urban and rural areas. When such variations exist, as they do in Arizona and elsewhere, per capita income alone becomes an invalid measure of the extent of poverty or level of affluence. Per capita income is a relevant measure only as it relates to actual purchasing power. Only then can the product of that computation be utilized on a comparative basis. To utilize per capita income alone is, in itself, a statistically invalid procedure, resulting in a comparison of apples and oranges. While the per capita income may be higher in an urban area, the higher cost of living results in a lower real income. When we petitioned EDA to attempt to establish equity within this criterion by the use of a cost-of-living adjustment we were advised that this could not be done since such data are not available on a national basis. When we suggested a deemphasis of the point value of the criterion or a bonus for SMSAs be added as a remedy, our suggestion, once again, was ignored.

Gentlemen nowhere in the regulations or guidelines developed by EDA, is there notice of the technique employed in the ranking system known as "logarithmic transformation." Nor is any mention made of the effect such a technique would have on a jurisdiction's unemployment rate and numbers of unemployed persons. It is our understanding that this technique mitigated the impact of large numbers of unemployed in the ranking system. If our understanding is correct, this technique effectively established a national policy in which an unemployed person in a sparsely populated, rural area be given job priority over unemployed persons in concentrated areas of unemployment. I simply cannot believe that it was the intent of Congress to establish such a policy. Moreover, Congress must determine why EDA chose not to include their intention to utilize the technique in the regulations exposing it to public comment.

In their guidelines, EDA stated "In determining where the labor force can be expected to be drawn from, the journey-to-work characteristics of the labor force and the applicant's intent to hire the unemployed of a special area must be considered." Had EDA abided by this rule, some of the more glaring abberations would have been eliminated. Unfortunately this was not the case. In Arizona, the labor catchment area of the highest ranking projects is a vast area of several thousand square miles which literally means some laborers will have to move or travel a hundred miles or more one way each day to work.

Although the law calls for standardization of the data, the certification of unemployment rates by DOL, the State's DES and BIA leads one to wonder if comparable standards were used. For example, it does not seem reasonable to me that 28,933 people are unemployed in the Navajo Reservation when the population is but 69,510 in Arizona. Apparently BIA included every man, woman and child in the eligible labor force, which is inconsistent with the procedures utilized eleswhere. The definition of unemployed utilized by DES included only those persons who are able to work (i.e., excludes children and elderly) and are actively seeking work.

It is EDA's contention that they had to accept the data provided to them by other Federal agencies as accurate.

It is my conclusion that the combination of factors selected by EDA in this program—high reliance on unemployment rates which are certified by various agencies, suppression of the effect of the number of unemployed through the use of the logarithmic scale, and the reliance on per capita income without compensating adjustments has resulted in the rural bias in this program..

FEDERAL AID PROCESS

The public works program has been one of the most inefficient and costly programs in recent years in terms of the Federal aid process.

I have already indicated that the city of Phoenix committed $20,000 to initial preparation of applications, a cost which cannot be recovered. An additional $19,000 was committed in the hopes it would be recovered in the event the projects were funded. Of the $20,000 committed, over $15 000 was for engineering design necessary for the applications. The selection criteria, however, did not focus on engineering data. Thus, the item of highest cost in the preparation of applications was virtually ignored in the grant application decision process. Phoenix submitted 56 pounds of applications. No other Federal agency requires this detail until after some basic judgments are made as to whether the agency will look favorably on the application. I honestly believe that EDA could have made a responsible allocation of funds on the basis of a sound three-to-five page application.

The more basic issue is that allocations should be made prior to the time applications are submitted to avoid having literally thousands of applications prepared nationwide which have no hope of funding. The only benefit to the present process is that of providing a public employment program for architects and engineers, at great cost to cities.

CHANGES IN THE LAW

If the Congress intends to stimulate the economy through additional public works funding, as opposed to tax incentives to private industry, changes must be made in the present law or the same process will occur, with large amounts of funding again directed towards rural areas.

Major inequities have resulted from two provisions of the law:

(1) The 70 percent-30 percent categories, and

(2) The provisions which allowed project area gerrymandering.

In Arizona, Phoenix with a high-unemployment rate fell into the 70 percent category, while Tucson with a much lower unemployment rate fell into the 30 percent category. Tucson received $1.7 million in grants and Phoenix nothing. Thus, not only do we have an urban/rural disparity but the two pots have created an inequity among urban areas as well. The mechanism of creating a 30 percent category to protect certain areas is at best an imperfect mechanism in need of revision.

Earlier, I discussed the absurdity of accepting a jurisdiction's definition of its project area as one encompassing thousands of square miles. This was not an exclusive Arizona anomaly. On must wonder what project area was used by Port Graham, Alaska, population 122 with 11 people unemployed to net them $883,000; or how Old Orchard Beach, Maine, with a population of 5,500 could gerrymander boundaries to net the town $1 million, when major population centers received little or nothing.

Something is wrong when affluent suburbs are allowed to use the distress factors of neighboring central cities, so that their residents might enjoy larger libraries and better recreational facilities.

The law must be amended to prohibit such abuses.

I submit that an allocation should have been made to various jurisdictions, or at a minimum to SMSA's, and that applications should be submitted on that basis. Obviously there is sufficient need.

Applications for sound projects would be forthcoming after the allocations are made.

The process of hurriedly designing projects for LPW funding tends to ignore local long-range planning, such as is desired under the HUD Comprehensive Planning Assistance (701) Program. We suggest that instead of designing new projects, a city be permitted to use LPW funding for existing projects with the proviso that it would accelerate projects scheduled for later in the current fiscal year or early in the next fiscal year.

CONCLUSION

We strongly urge that the Congress re-examine the Public Works Program, a program based upon laudable goals, to remove the disfunctional and negative aspects which we believe have directed this program in a manner other than the Congress intended.

Before reenactment of new legislation, we suggest that the $23 billion worth of unfunded projects on record at EDA represents a rather complete statement of State and local priorities for projects under $5 million and an incredible investment in front-end financing by those governments.

Many of my fellow mayors are suggesting that a call for new projects would prove disruptive from EDA's perspective and counterproductive from a local government perspective. I am inclined to agree provided a priority overlay can be superimposed upon the present ranking system. This prioritizing should consider SMSA central cities in their proper perspective, i.e., these areas are concentrations of population and unemployed persons, as well as the major source of unemployed skilled and semi-skilled workers in the construction trades.

It Congress feels new public works legislation must be enacted, it is important that it (*a*) direct funds to urban areas, (*b*) provide for an Indian set-aside, (*c*) eliminate the 30 percent category, (*d*) eliminate the ability for jurisdictions to gerrymander project areas outside of their own boundaries and (*e*) eliminate the wastefulness of preparation of an excessive number of applications and preparation of excessive material in each application.

We also suggest that Congress give careful attention to a reexamination of the vehicle used for administering the program, as well as to the program itself.

Finally, in a related matter I strongly recommend that the Congress provide for orderly phase outs in all Federal aid programs, destined to be phased out, and particularly in programs similar to Title II of the Act. Local governments are placed in a most difficult position if we have to suddenly assume the burden of a Federal program which is precipitously phased out. We need to plan our resources and programs 3-to-5 years or more in advance. Thus, when a program is to be phased out, a gradual, preplanned tapering off is desirable, in order that we can effect a smooth transition. Phoenix has been diligent in its responsibility, and has maintained an AA bond rating even though we face tighter budgets. The prospect of having to assume the burden of a large Federal program which is suddenly phased out is contrary to sound fiscal management.

A review of proportionate shares by Indians and non-Indians of the 70 percent allocation of seven western states:

State	Indian	Non-Indian	Total	Indian project percent of total
New Mexico	$2.118	$4.742	$6.860	30.9
Arizona	6.151	3.038	9.890	66.9
Montana	4.863	2.450	7.313	66.5
North Dakota	6.936	.147	7.083	97.9
South Dakota	7.164	0	7.164	100.0
Utah	2.368	4.658	7.026	33.7
Wyoming	2.859	4.123	6.982	40.9
Total	32,459	19.158	52.318	62.4

PIEDMONT PLANNING DISTRICT COMMISSION,
Farmville, Va., January 17, 1977.

Hon. HARRY F. BYRD, Jr.,
The U.S. Senate, Old Senate Office Building,
Room 417, Washington, D.C.

DEAR SENATOR BYRD: This past summer Congress passed into law the Local Public Works Employment Act of 1976. This Law provided among other things, $2 billion dollars to local governments for the construction of public works projects.

It is our understanding that Congress is now contemplating an additional legislative package for the purpose of stimulating the economy. We urge you to favor such legislation and to encourage your fellow Congressmen to put the program's emphasis on the construction of local Public Works Projects as opposed to an emphasis on a temporary tax cut.

We feel that a Public Works program is the only means of solving a temporary unemployment problem and providing a needed community facility which will serve citizens for a long period of time and provide taxpayers with a visible example of how their tax dollars are spent.

Our arguments for preferring Public Works programs focus on the fact that tax cuts cannot be geographically localized into areas of high unemployment as can a Public Works program. Public Works programs also support the American "work ethic" by putting employable people back to work so they can carry their share of the tax burden.

To complement the public works effort we suggest the use of a jobs program which trains the unemployable persons who are generally not skilled enough to work on Public Works projects. This would be a means to get these persons back to work and off of various public relief programs.

We further urge Congress to direct the Economic Development Administration of the United States Department of Commerce to consider the applications already submitted under the 1976 Public Works Bill before any others. Approximately $30,000 was spent in our six county District alone in preparing these prior applications. The administrative costs incurred in the Federal review of the $25 billion dollars worth of applications must be staggering. By utilizing the applications which have been previously reviewed, Public Works projects could be reviewed with less administrative costs and approved projects could be initiated more quickly.

It must be remembered that the Economic Development Administration has as its major responsibility the conduct of long range economic development programs. Therefore, we urge the Congress to provide sufficient resources to the Economic Development Administration for the administration of a new public works bill and also the maintenance of their existing programs.

Sincerely,

PAUL B. CASSELL, *Chairman.*

PORT CARBON BOROUGH COUNCIL,
Port Carbon, Pa.

DEAR SENATORS RANDOLPH, STAFFORD, HEINZ, AND MEMBERS OF THE COMMITTEE: The outcome of the Local Public Works and Capital Development Program of 1976 was the cause of much concern not only to the officials and residents of the Borough of Port Carbon, but to the entire population of Schuylkill County. Out of a total of 55 applications which received final processing, not one was funded. The highest ranking application from the County was number 192, and had it not been for an error in the application, in the total number of people unemployed, this application would have been even lower. This would indicate that there were serious deficiencies in the rating system for the program, since Schuylkill County has been chronically one of the highest unemployment and under employment areas in the State of Pennsylvania. We would like to share with you some of the specific problems which we have encountered and some deficiencies which we feel exist in the program:

1. We would like to compliment the Economic Development Administration for implementing the program in such an expeditious manner. We feel, however, that the lack of time involved for planning may have been one of the major causes of the problems which arose in the program.

We can assume that when a program of this magnitude lacks sufficient planning and broad-based input that the original intent may not be fully served.

2. It is our opinion that the agencies charged with the responsibility of reviewing and rating the applications for the Local Public Works Act were seriously understaffed, and the staff that was available was not as well versed in the regulations as they perhaps should have been. This, again, was probably caused by the limited amount of time available to implement the program, however it was a major contributing cause of some of the problems which were experienced by those communities which applied for the program.

We have experienced one such problem in one of our own applications. We submitted a project to do major renovations on two existing community buildings. The program included renovating the former fire house to include a Senior Citizen Activity Center and two community meeting rooms. The second phase of the program was to renovate our Community Hall Building. This building is now our Borough Hall and is the center of all governmental activities and services. Contained in this project were plans to provide our Police Department with an over night detention facility along with other major renovations to the building. This application was submitted on October 26, 1976 to the EDA Office in Philadelphia and was returned to us several days later with a letter stating that the overnight detention facility was subject to additional Clearinghouse procedures.

Although we were certain that this regulation did not apply to our facility, we immediately began working on Clearinghouse procedures. At the same time we were making efforts to contact the EDA Regional Office in Philadelphia to clarify their decision and to tell them our position. However, after four (4) days and approximately 100 phone calls we were unable to contact anyone in authority about our problem. After receiving clearance on the plans and specifications from the National Clearing House for Criminal Justice Planning and Architecture of Champaign, Illinois, the next step was to obtain clearance from LEAA. It was at this time that our position was confirmed by LEAA. We then attempted to contact EDA again and again we were unsuccessful in our effort. We then contacted Congressman Yatron of the 6th Congressional District, Senator Richard Schweiker, and Senator Hugh Scott of Pennsylvania, describing the problems which we had encountered. Congressman Yatron's Office immediately contacted EDA by telephone after which EDA contacted us. EDA then agreed that our plans were not subject to Clearinghouse procedures and that we should resubmit our application immediately. This error cost the Borough a considerable amount of time, money, and effort. We were assured by EDA via telephone and subsequently confirmed by mail that this delay did not affect our final ranking which was quite possibly true, however, we feel that this does again point out the fact that EDA was forced to do a job with insufficient trained personnel available.

We hope that any future programs of this nature will be allowed sufficient time for planning and the people affected will be given an opportunity to provide input so that the final outcome of the program will adhere more closely to the original intent.

3. Although we see many problems in EDA, it is our opinion that the denial of our applications was due to the criteria used in the rating, not the mechanics of the Economic Development Administration. There were two items which accounted for a large percentage of the final ratings. (A) The unemployment rate of project impact area and, (B) The actual number of people unemployed in the project area. These are the areas which we feel should be changed. Under the present program regulations many prospective applicants are allowed to use unemployment data from any of several sources, and were able to re-district their impact area in order to obtain optimum percentages and numbers, as they applied to the program rating system. This would be fine, except that this privilege is not available to everyone. In Schuylkill County, the only unemployment data which we were able to use was that which emanated from the Bureau of Labor Statistics. This restriction put the Borough of Port Carbon as well as Schuylkill County in a very unsatisfactory competitive position. Our experience with the Bureau of Labor Statistics has shown that their information is something less than accurate. A recent example of their inaccuracy occured during the application process for the Local Public Works Act.

In September of 1976, we contacted the Bureau of Labor Statistics and requested the unemployment rates for our area. At that time we were told that the percentage was 13.69 percent with a total of 9908 people for that period of April, May, June 1976. These rates were later certified by the Bureau of Labor Statistics as being true and correct, and was submitted by us as Exhibit IV–B–1 with our Public Works Application. On Wednesday, November 3, 1976, Bureau of Labor Statistics released a news item stating that the unemployment rates for Schuylkill County for 1976 were wrong. We then contacted the Bureau of Labor Statistics via telephone and were told the new rates were in the area of 8 percent and 5000 people for the April, May, June period. On Monday, November 8, 1976, another news story appeared stating the revised rates were in error. We again contacted the Bureau of Labor Statistics and were told that the re-revised rate was now 9.37 percent with 6365 people unemployed. This was then confirmed by a letter from the Bureau of Labor Statistics, and these rates were then used in the rating of our Applications.

Now gentlemen, would you want to be locked in to using such critical data from someone who has demonstrated such impeccable accuracy when dealing with the lives and future of your constituents? Essentially, what we are trying to say is that everyone competing for these funds should be required to use the same exact source of information.

4. We have already stated that our first project was for the renovations of the former fire house building and the community hall building. The proposed Senior Citizens activity center and meeting rooms and overall renovation of the former fire house building would have done several things for the community. First, it would have provided a much needed facility for our Senior Citizens who number in excess of 500. They would have a recreational and meeting type facilities, and we would also have been able to provide, with the aid of County Agencies, several other health and nutritional programs for our senior citizens. Second, the meeting rooms would have provided much needed facilities for our many local and civic organizations (i.e., Girl Scouts, Boy Scouts, Rotary, Mothers' Club, Citizen Committees and small neighborhood Community groups).

The renovations to the Community Hall Building would have provided our Police Department with a much needed overnight detention facility which would enable them to act more efficiently in their duties. At present the closest facility is the Schuylkill County Prison, which is not always available for our use. We have had many incidents which were the result of having to release someone who should have been detained but because of a lack of available facilities these people had to be released.

As a major part of renovation on both buildings, we were doing such things as installing storm windows, insulating and modifying the heating system to be more efficient in both community buildings. It is our opinion that special incentives should be provided for renovating existing structurally sound buildings as opposed to constructing new facilities. We also feel that special incentives should be provided for efforts to conserve heating fuel, because as we are very aware at this time our natural resources are being depleted at an alarming rate. Conservation being practiced by our government would not only help conserve our valuable natural resources but would serve as an example for the people of the community in hope that they would make every effort to do the same.

6. Our second project was to reconstruct Fifth Street, which is a major thoroughfare in our Community, and to construct Fourth Street and Allen Lane. The reconstruction of Fifth Street is necessitated by the fact that due to insufficient funds the street was not properly constructed originally, and has deteriorated to the point where it is now very hazardous. This street provides main access to approximately 300 homes and by constructing it properly it would be an incentive to further development of this area.

The construction of Allen Lane and Fourth Street would provide access to what is now an undeveloped area. This would stimulate approximately $600,000 in future construction in housing and approximately $100,000 in other related industries. This would provide a two fold benefit for the Borough of Port Carbon. Not only would it increase our tax base by approximately 8 percent, it would also provide considerable future employment for the people of our community. We feel that an effort to stimulate our local economy and increase our long range tax base in this manner should be encouraged by the federal government through programs such as Public Works. In fact, we feel that any program which was going to generate future growth and considerable future employment and investment, such as this project, should receive a very high priority rating.

We hope that a second Public Works Program will be forthcoming in the very near future. We would think that areas such as Schuylkill County, more specifically, Port Carbon, should receive priority in this program because they were overlooked the first time. In fact, we think that *any community* which is not funded should be considered first and then should there be any funds left, those communities that received funding during the first program should compete.

We sincerely hope that when you prepare regulations for any new Public Works Program, you will seriously consider some of the comments and suggestions we have offered as part of this testimony.

We would like to thank Senator Heinz and members of this Committee for giving us this opportunity to provide input into the Public Works Process.

JOHN M. PONTICIAN,
Councilman, Borough of Port Carbon.

CITY OF PORTLAND,
Portland, Maine, February 3, 1977.

Hon. WILLIAM B. HATHAWAY,
U.S. Senator,
Senate Office Building,
Washington, D.C.

DEAR SENATOR HATHAWAY: As you know, we have recently experienced the distribution of Title I Public Works Act funds and were surprised to find out that the City of Portland did not receive any assistance under this Act. In a meeting that I attended with the Conference of Mayors in Washington recently, it became clear that our problems were not unique and that there were definitely problems in the administration of this program. I would like to highlight what I believe to be the important changes that should be accomplished in order to assure that the Public Works Act funds are targeted to areas of high unemployment which is the basic purpose of the Act.

(1). Given the situation which has occurred, it would seem appropriate that first priority in a second round of Public Works funding be given to those cities with unemployment over the national rate which did not receive funds under the first round of funding.

(2). Elimination of the 70/30 requirement. This requirement ended up pivoting funds to areas of low unemployment while excluding areas such as Portland, where our unemployment rate was almost 9 percent.

(3). A change in the definition of project area, which would not permit other governmental units to utilize the unemployment statistics developed by high unemployment areas. Particularly an example in our case would be the unemployment figures established for the Portland SMSA, which achieved 7.8 percent as a result of including the higher unemployment levels within our city. It would seem appropriate to have each community's figures established and I would recommend that these figures be the same as are established for distribution of Title II Countercyclical funds.

(4). It would be most helpful if the Department of Commerce would qualify applications, but allow the local community to express its priority for projects.

In this manner, Public Works projects would be more basically combined with development strategies within the communities.

(5). More emphasis should be placed upon the labor intensity of construction projects, since the cost effectiveness of the Public Works program in job creation is dependent upon this labor intensity factor.

(6). If the funds are to go where the greatest unemployment is, more weight should be placed upon the numbers of unemployed, then upon percentage figures of unemployment.

I hope that these few comments might be helpful to you in considering future Public Works legislation. I am sure we all are mutually concerned about addressing the unemployment problem within our communities through the Public Works Act, and I appreciate your continuing support of the City of Portland in this regard.

Sincerely,

A. J. Wilson, *City Manager.*

State of Rhode Island and Providence Plantations,
Providence, R.I., January 24, 1977.

Hon. Claiborne Pell,
325 Russell Senate Office Building,
Washington, D.C.

Dear Senator Pell: Title I of the Public Works Employment Act of 1976 provided $2 billion nationally for public works projects. Rhode Island and its communities submitted 142 applications but only 13, or less than ten percent, will receive funding. Thus, the need for additional public works funds in our state is clear, and I thoroughly endorse your efforts to continue and expand this program.

The program, however, had weaknesses in its implementation. Let me suggest that four major changes should be made to make Title I more responsive to Rhode Island's needs. They are: 1) the EDA imposed statewide ceiling on funds; 2) the under-representation on a national scale of state-sponsored projects in the awards; 3) the unresponsiveness of the awards to community priorities; and 4) the inability of the program to address clearly established needs.

1. *EDA Imposition of a Statewide Ceiling on Funds.*—The regulations, which EDA promulgated, had the effect of discriminating against Rhode Island because of the ceiling placed on funds available within the state. The ceiling was based upon a formula that assigned 65 percent of the monies in the program according to the number of unemployed in the state; the remaining 35 percent were allocated on the basis of the rate of unemployment.

In any one state the impact of a recession is best measured by the proportion of the labor force seeking work, but unable to find a job. In a heavily populated state, a relatively low unemployment rate may still result in a large number of unemployed persons. In Rhode Island double digit unemployment rates have had a disastrous effect. Basic public services have been reduced, and critically needed public works improvements have been delayed.

To reflect need more properly, the 65–35 formula should be reversed. EDA should treat the relationship between number of unemployed and rate of unemployment consistently in the regulations. (In determining the statewide ceilings formula, the numbers of unemployed are double weighted. In the selection criteria for projects within a state, only five more points are provided for the number of unemployed in a project area than for the rate of unemployment).

2. *Underrepresentation of State-Sponsored Projects in the Funding Decisions.*—The Act gave priority and preference to projects of local communities although it defined state, county and local governments as eligible applicants. EDA appears to have interpreted Congress' intent as an absolute preference and priority for cities and towns. I do not believe that interpretation reflects the will of Congress. Nevertheless, the selection criteria in EDA's regulations imposed a five point handicap on state applications. Nationally, only $42 million, or 2 percent of the appropriation, will go to state projects and yet a state-sponsored project has the same effect of meeting a capital construction need and stimulating the area economy. None of the Rhode Island state-sponsored projects received an award.

In November the voters defeated the bond issue providing for construction of an Intake Service Center at the Adult Correctional Institution. That Intake Center complements the High Security Facility about to be constructed. Together the facilities represent a basic element in addressing the problems that have plagued our prison these many years.

I would suggest that either the legislation be amended to provide a set-aside for state-sponsored projects, or that the regulations be amended to reduce the handicap imposed on state projects.

3. *Unresponsiveness of the Program to a Community's Needs.*—Several officials in Rhode Island communities which will receive funds have expressed to me their disappointment that local priorities were ignored by EDA in making funding decisions. In many cases communities will receive grants for low priority projects. These low priority projects were submitted only because EDA did not develop an acceptable mechanism for designating project types that would rate higher priority. Many communities attempted to communicate their local priorities to EDA but no formal means existed for them to do so. Thus, although the program will provide more than $16 million for projects in Rhode Island, a portion of those funds will be spent on projects that could be delayed while other projects, good projects, remain unfunded.

4. *Inability of the Program to Address Clearly Established Needs.*—In attempting to find a reasonable method of judging competing projects within a state, EDA established selection criteria in its regulations. The selection criteria had a dual purpose:

a. To distinguish level of need among communities, and

b. To distinguish among individual projects.

Unfortunately it is sometimes extremely difficult to judge one community more economically disadvantaged than another. This is especially true in Rhode Island where every community has felt the economic impact of an already deteriorating economy compounded by Navy cutbacks, recession, and an energy crisis. For example, the criteria tried to distinguish among communities by level of income. In some cases those differences are so small as to be meaningless but in EDA selection criteria they become critical. The result can best be demonstrated in an example. Community A has a marginally higher level of income and a marginally lower rate of unemployment than Community B. Therefore, Community B receives a higher ranking in the selection criteria but Community A has a serious problem which could be corrected by a public works project. The regulations are so unflexible that a non-critical project in Community B may be funded despite the obvious need for the project in Community A.

The Local Public Works Program had to operate within tight time constraints and generated such overwhelming interest that inequities were bound to result. One cannot question the value of $16 million in construction activity that will be generated in Rhode Island. The changes I suggest to improve the program will provide results that will not only stimulate the economy but also provide public works to address major problems and stimulate future growth.

Please contact me if I can provide any additional services in your consideration of this program.

Sincerely,

J. JOSEPH GARRAHY, *Governor.*

DE KALB COUNTY, GA., *February 8, 1977.*

HON. ELLIOTT LEVITAS,
Congressman, Fourth District, Georgia,
329 Cannon House Office Building, Washington, D.C.

I would appreciate your recommending to the full House Committee on Public Works the following changes in the legislation now being developed for "second round" public works funding at the Wednesday, February 9th session if in your judgment, these recommendations have merit. The Senate Committee considering this legislation is meeting at 1:30 p.m. this afternoon. I hope you will share our concerns with that Committee today.

"Freeze the file" on new applications, giving first priority to those applications already submitted to EDA.

General purpose governments should receive first priority from among those applications already on file with EDA. The present regulations designating school and water districts as "general purpose" governments is not only misleading but gives unfair advantage to those entities.

Updated unemployment data should be weighted towards number of unemployed, not the percent of unemployed. In "first round" funding, EDA used a logarithm function to factor the number of unemployed. The curve was adjusted so that jurisdictions with 1,000 unemployed received a one point score while jurisdictions with 10 times that number received only two points. If the AFL-CIO Labor Trades Council has documented information concerning the number of unemployed construction workers within localities, EDA should secure and utilize this information.

Points were given applicants by EDA during "round one" funding for per capita income, with those localities having the lowest per capita income receiving up to a maximum of 15 points. This works to the disadvantage of larger cities and urban counties, as their populations are composed of a larger number of middle income, white collar workers whose incomes are factored into the per capita computation. This has nothing to do with the number of low income persons, who are most generally out of work, in the community.

I understand you will be in the County later this week. I think it would be useful if we discussed this legislation at that time.

WALTER B. RUSSELL, Jr.,
Chairman, Board of Commissioners.

COUNTY OF SAN DIEGO,
Washington, D.C., February 14, 1977.

Mr. RICHARD GREER,
Subcommittee on Economic Development, Senate Committee on the Environment and Public Works, 4204 Dirksen Senate Office Building, Washington, D.C.

DEAR MR. GREER: Enclosed is a statement by San Diego County Supervisor Lucille Moore on the extension of Title I of the Local Public Works Capital Development and Investment Act of 1976. My assistant, Dan Yager, discussed this with your secretary and was assured that timely receipt of this would enable its inclusion in the record of your Committee's hearings on S. 427, the "Public Works Employment Act of 1977".

Thank you for this opportunity to submit the views of the San Diego County Board of Supervisors on this important piece of legislation. If I can be of any further assistance, please let me know.

Sincerely,

ROGER F. HONBERGER,
Washington Representative.

Enclosure.

PREPARED STATEMENT OF HON. LUCILLE MOORE, VICE CHAIRMAN, SAN DIEGO COUNTY BOARD OF SUPERVISORS

Mr. Chairman and Members of the Committee, the nation's public finance experience in recent years has underscored the importance of a stronger partnership between Federal, State, and local governments in providing public services and in promoting economic stability. The Local Public Works Capital Development and Investment Act of 1976 is one example of that partnership. Together, we can make this legislation work effectively to meet Federal, State, and local objectives. Your hearings on Title I of this Act are particularly useful to this end; the County of San Diego appreciates this opportunity to work with you.

We in San Diego are pleased with the heightened sense of urgency in Washington for attacking the nation's unemployment problem. Unemployment is not just an economic issue; it has serious social consequences as well. As a County Government administering welfare and other human service programs, we see those consequences all too vividly.

Unemployment also creates fiscal problems for local governments like San Diego County. On the one hand, it increases the demand for the services we provide. On the other, it reduces the tax revenues needed to provide these services. Because of its record of sound fiscal management and innovative service delivery approaches, San Diego County has weathered the fiscal storms relatively well—so far. But with an unemployment rate in excess of 11.5% and a growing population, we cannot rest on our laurels.

When Title I of the Local Public Works Capital Development and Investment Act of 1976 was enacted last year, we saw its potential for meeting three County objectives:

To provide needed jobs in the construction industry immediately;

To secure needed public facilities without further burden on the property tax rate;

To use limited public funds to "trigger" larger investments by the private sector.

We have been disappointed so far. However, the sense of urgency we see here, and the expected era of cooperation between Congress and the Administration, give us cause for optimism about the future.

Title I can be improved. The short history of the Act is full of "horror" stories, many of which you've heard or will shortly hear. I won't discuss any in this statement, but I assure you that we had some in San Diego County.

My purpose is to express our support for continuing Title I and to suggest administrative measures to make the program more effective in meeting national as well as state and local goals. I believe that the impetus for such improvements should come from Congress.

While our criticisms appear to speak harshly of EDA's administration of the program, we recognize the burdens the Act placed on EDA. The Agency has done well in many respects in implementing the Act in the short time frame given it. However, that is not the business at hand. Neither is this the time to critically review the details of the legislation itself, which caused some of EDA's administrative nightmares. Our task is to look at what can be done now to improve the existing legislation's effectiveness.

ACCOMPLISHING STATE AND LOCAL OBJECTIVES WHILE MEETING NATIONAL OBJECTIVES

Changing the regulations to promote local economic development objectives while realizing national ones would improve the effectiveness of the program and eliminate the basis for many objections local governments have.

Perhaps the most controversial action by EDA in its administration of Title I was its insistence that there would be no sub-state allocation of funds and then, without notice, going ahead and doing it anyway—in the guise of "undue concentration of funds".

EDA stated that there would be no sub-state allocation, as its justification for denying offers of regional prioritization. The Seattle Regional Office responded to a joint letter from the Chairman of the San Diego Region's Overall Economic Development Program (OEDP) and the chairwoman of our Comprehensive Planning Organization (our region's Council of Governments), which expressed the region's willingness to prioritize the applications from the region if EDA would use that information in its decision making. EDA said its process wouldn't allow the use of the information. Even our County Board of Supervisors was not permitted to express its priorities.

This response does nothing to foster a partnership approach to solving our mutual problems. Since EDA computerized the process anyway, regional or local priorities could easily be incorporated into the analysis through a relatively simple computer programming adjustment. This change would list the projects having equal scores in the priority given the project by the local jurisdiction (among its own projects) or by an appropriate regional body such as an OEPD, Economic Development District, or Council of Governments.

The County of San Diego specifically suffered under this arbitrary selection process. Out of the 25 projects submitted, we were awarded a project which had a County priority of 23. Ten other County projects had an equal EDA score of which eight had higher County priorities. The County should have had the opportunity to select its project out of those identified by EDA as equally serving national interests. Such an adjustment in the second round would greatly improve the program's effectiveness in meeting state and local priorities without adversely affecting national ones. All that is needed is a place on the application for applicants or EDA to indicate the applicant's or region's priority designation of the projects, and reprogram the computer to list tied projects in the order of that priority.

In a similar vein, priority should be given to projects which are part of an area's economic development program. The existing criteria give bonus points to projects that were part of any long-range plan, be it a water plan, school plan, as well as economic development plans developed under other portions of the Local Public Works and Economic Development Act of 1965, as amended.

Another concern which the County has with EDA's interpretation of the Act is in the definition of general purpose governments. EDA's policy in this regard resulted in San Diego area general purpose governments (The County and Municipalities) receiving only 35% of the $20.1 million of Title I funds awarded in the region. School districts received 64% of the funds awarded. Clarification of Congressional intent in this regard, together with the points noted elsewhere, would enable the second round funding to be concentrated in problem areas, provide for a greater variety of long-term jobs (post-construction), and enhance efforts to meet local social and economic development needs as well as national objectives.

OTHER AREAS FOR IMPROVEMENT

Time and effort by EDA and applicants could be saved if the criteria were adjusted to give a wider spread to the ranking scores. In reviewing the EDA scores for proposals from around the country, we were struck by the very narrow range in which most fell. Tenths of a point seemed to determine whether a project was deemed approvable. This suggests that the scoring process should be revised to either include other criteria, or to weigh the factors differently, so that differences among projects show more clearly.

With such criteria and knowledge of the specific income and unemployment figures to be used by EDA, we could more effectively screen the projects submitted to EDA. The absence of such factors was a major contributing factor in the "Oklahoma Land Rush" nature of the first round of funding.

EDA, to our way of thinking, did not give sufficient attention to the "long-term economic benefits" of projects. We believe greater weight should be given to this factor (20 to 30 bonus points versus the 10 currently given). Also, EDA needs to be clearer on how it measures and scores long-term economic benefits. In reviewing the list of selected projects, we find no apparent weight given to this factor; yet this was a major purpose of the program. With more than 10 years' experience in economic development, EDA should be able to define, publish, and use some factors in evaluating proposed projects. Also, EDA should be able to incorporate consideration of the triggering effect many public works projects have into the process. One $2.7 million project in our region would have "triggered" an estimated $104 million in private construction. Not only was the project not funded, it didn't even get ranked, despite meeting all the criteria (but that's one of the horror stories I promised not to dwell on).

Finally, the County experienced a dilemma faced by all state and local governments, which I believe Congress could easily clear up. Title I regulations forbid the funding of "budgeted" projects. The reasons for this are obvious and meritorious. However, the definition of a budgeted project was the subject of much controversy and was never fully clarified. We contend that state and local governments ought to be allowed to seek Title I funding for any otherwise eligible project as long as there is no substitution of funds budgeted for Capital Improvements. This would avoid the problems of interpretation noted above and further the achieving of state and local objectives within the framework of national priorities.

Thank you for the opportunity to present our views. Our criticisms are offered in a constructive spirit. We look forward to a more effective second round of Title I, on behalf of all our citizens.

ANALYSIS OF COUNTY OF SAN DIEGO'S PRIORITY AND EDA'S SELECTION

The following listing demonstrates that national objectives could be met while still honoring local priorities. The projects listed all received an equal ranking by EDA—85.78006268. They are listed in order of the County's priority established on October 20, 1976—before EDA even accepted applications.

County rank and project title	*Project cost*
1. Convert Industrial Building	$700,000
5. Carleton Oaks Dr. Median	94,000
6. Gillespie Field Industrial Park	560,000
9. Carleton Hills Bridge	1,400,000
10. Palamor Airport Access Road	140,000
13. Casa de Oro, Trunk Sewer	71,000
17. Billy Mitchell Drive Widening	180,000
21. Descanso Landfill Improvement	70,103
23. Magnolia Avenue Bridge[1]	1,100,000
25. Castle Park Relief Sewer	101,000

[1] Project selected by EDA for funding.

COMPREHENSIVE PLANNING ORGANIZATION OF THE SAN DIEGO REGION,
San Diego, Calif., October 22, 1976.

Mr. C. MARK SMITH,
Regional District, U.S. Department of Commerce,
Economic Development Administration,
Seattle, Wash.

DEAR MR. SMITH: The Local Public Works Act has generated an enormous amount of interest in this region. Over 70 separate jurisdictions have expressed their intent to file applications. Accordingly, many more applications for grants are to be submitted to your office than can possibly be funded. This, of course, was anticipated by you, as EDA's Guidelines for the program contain rating criteria to be used in ranking the projects. The subject of this letter concerns the importance of local input in the use of two of the criteria by the region's comprehensive and economic development planning agencies.

Those two criteria, according to your Guidelines, will increase a project's basic rank:

Up to 10 percent if it exhibits a potential for providing long term benefits; and

Up to 5 percent if it relates to existing approved plans and programs of a local community or regional development nature or promotes or advances longer range plans and programs.

These items are the most discretionary of all seven criteria and can best be analyzed by local regional planning bodies who have spent many years analyzing just these problems. We recognize the time constraints for project review and approval by EDA, but believe that we can make timely input to EDA on these two criteria without adding to your work burden or timing problems.

It is important to note that San Diego's regional A–95 Clearinghouse, the Comprehensive Planning Organization (CPO), and EDA's designated regional economic development planning body (OEDP) have entered into a Memorandum of Agreement which identifies OEDP's role in the A–95 process relating to economic development. This agreement is timely in that we have a formal mechanism for joint action on Federal programs such as the Local Public Works Act.

We, the Chairpersons of CPO and OEDP, request a meeting with you during the week of October 25–29 to present our plans to provide local input, as noted above. Your attention to this matter during this busy time is appreciated.

Sincerely,

LORRAINE H. BOYCE,
Chairwoman, CPO.
EFRAIN CONRIQUE,
Chairman, OEDP.

U.S. DEPARTMENT OF COMMERCE,
ECONOMIC DEVELOPMENT ADMINISTRATION,
Seattle, Wash., October 26, 1976.

Mr. EFRAIN CONRIQUE,
Chairman, County of San Diego OEDP,
Department of Management and Budget, San Diego, Calif.

DEAR MR. CONRIQUE: I appreciate your letter of October 22 asking to be involved in our analysis of long-term benefits in relationship to existing local plans and programs in connection with the Local Public Works Capital Development and Investment Act of 1976.

While I appreciate your interest in assisting us, our administrative procedures will not allow us to contact you in connection with these issues on each application coming to us from your area. I note that the CPO and our local OEDP Committee have entered into a Memorandum of Understanding which identifies the OEPD's role in the A–95 process relating to economic development. We appreciate your close working relationship, but suggest that due to the time constraints involved, the OEDP's input in connection with the economic development benefits will have to be done during the CPO's authorized review period. It will not be possible for us to contact your organization after applications have been received here in Seattle.

I appreciate your cooperative attitude.

With warm personal regards,

C. MARK SMITH,
Regional Director.

U.S. Senate,
Committee on Government Operations,
Subcommittee on Intergovernmental Relations,
Washington, D.C., January 19, 1977.

Hon. Jennings Randolph,
Chairman, Senate Committee on Public Works,
U.S. Senate,
Washington, D.C.

Dear Jennings: I am forwarding to you a copy of a letter I have received from the Honorable David Shiffman, Mayor of Santa Barbara, California, concerning Title I of the Public Works Employment Act of 1976.

I thought Mayor Shiffman's comments regarding the Title I program might be of interest to you as your committee considers the future of that program.

With best wishes.

Sincerely,

Edmund S. Muskie.

The City of Santa Barbara, California,
Santa Barbara, Calif., January 14, 1977.

Re: Local Public Works Act, title I (Public Law 369).

U.S. Senator Edmund S. Muskie,
Chairman, Government Operations Subcommittee on Intergovernmental Relations, Russell Senate Office Building, Room 357, Washington, D.C.

Dear Senator Muskie. Please accept this statement and document in the official Congressional Record.

The City of Santa Barbara, in its efforts to seek Federal funds available under Title I of the Local Public Works Act of 1976 (Public Law 94-369), submitted a total of nine EDA applications for Public Works projects totalling approximately $11.8 million, none of which were selected for funding by EDA.

On the basis of information received by EDA officials at the EDA sponsored Western Regional Seminar conducted in San Francisco on August 31, 1976, together with subsequent encouraging information from EDA representatives and EDA sanctioned State of California offices, the City proceeded with an all-out effort to prepare and submit applications for much-needed projects. In doing so, the City, including private architects and engineers under contract with the City, expended much time, effort and funds resulting in a substantial overall cost estimated to be in excess of $50,000.

In accordance with instructions from EDA officials, the City worked closely with the State of California Employment Development Department, Employment Data and Research Office to determine the most competitive unemployment rate to use in our applications for LPW funds. That office advised the City and so certified to EDA on the appropriate official application that the applicable unemployment rate for the County of Santa Barbara (the project area determined to be the most competitive for funds from the 30 percent category) was indeed equal to the national average of 7.4 percent for the three consecutive month control period—May, June and July. (See attached letter from the State, which is to be incorporated and made a part of this statement.)

We have been informed that the unemployment rate so certified to by the State was changed by EDA from 7.4 percent to a rate exceeding the national average by only one-hundredth of one percent—7.41 percent. If the City had known that the unemployment rate certified by the State would be changed, the City would have opted to use either the City's own rate of 6.9 percent or a sub-area of the County, resulting in a rate less than the national average. Based on the total ranking score of the City's nine projects, it appears that the City would have been very competitive with a rate between 6.9 percent and 7.4 percent.

In addition, our examination of those projects approved for funding indicates that the first 13 projects selected for funding in the 30 percent category (those project areas with an unemployment rate not in excess of the national average) were projects submitted in the County of Orange with an unemployment rate of 7.50 percent. Selected projects Numbers 14, 15 and 16 were for a City with a rate of 7.40 percent.

We, therefore, would like to go on record that we are very disappointed in the manner in which the EDA program was managed and in the results of the final ranking of the projects."

Respectfully submitted,

DAVID T. SHIFFMAN, *Mayor.*

Attachments.

STATE OF CALIFORNIA—HEALTH AND WELFARE AGENCY,
EMPLOYMENT DEVELOPMENT DEPARTMENT,
Los Angeles, Calif., September 24, 1976.

Subject: Unemployment statistics for Public Works Employment Act of 1976 (PWEA).

IRENE ST. ONGE,
Assistant to City Administrator,
Santa Barbara, Calif.

DEAR MS. ONGE: In response to your query regarding subject act, following is a summary of pertinent information regarding usage of unemployment data in conjunction with project applications.

In accordance with federal instructions, unemployment statistics used to establish priority grouping for PWEA application under Title I would be those provided by the Bureau of Labor Statistics to the regional Economic Development Administration Office.

These statistics should include regularly published figures for official labor market area as well as sub-area data usually provided for purposes of the Comprehensive Employment and Training Act of 1973 (CETA). The list would indicate the average unemployment number and rate for a consecutive three-month control-time period. The May–June–July 1976 quarter is presently the qualifying time frame and is expected to remain so through the first allocation period, presumably the end of the calendar 1976.

The general priority rating will then depend on whether the project is in an area where the three-month average rate is in excess of the national rate for that period: or in excess of 6.5 percent but not the national rate; or a 6.5 percent rate or lower. Allocations for an individual application will then be ranked by E.D.A. according to a multi-criteria formula which includes a 30.0 percent consideration based on level of unemployment and 25.0 percent based on unemployment rate. The average rate for the nation during the applicable period was 7.4%. The average rate for the County of Santa Barbara was 7.4 percent, and the average number for this period in the County was 8,733.

An area that is not specifically identified in the two aforementioned categories may request certified unemployment data from our office if the local area applicant believes their unemployment situation is sufficiently worse than their county jurisdiction. Computation of small area figures will be based on census-share methodology, so the 1970 census should be checked to see if an area's rate would be higher than the county. Requests should be forwarded on Form IV–B–1 of the federal application. In most instances, a small area probably would benefit from using data for the county instead of the sub-area inasmuch as the county unemployment number is usually greater and might equalize any benefit from a higher unemployment rate since the percentage distribution for the level of unemployment is greater than for the rate.

Sincerely,

MARIE LIEUW, *Labor Market Analyst.*

U.S. SENATE,
COMMITTEE ON GOVERNMENT OPERATIONS,
SUBCOMMITTEE ON INTERGOVERNMENTAL RELATIONS,
Washington, D.C., January 24, 1977.

Hon. JENNINGS RANDOLPH,
Chairman, Committee on Public Works,
4202 Dirksen, Washington, D.C.

DEAR JENNINGS: I am forwarding to you a copy of a statement I have received from Mayor Wes Uhlman of Seattle concerning Title I of the Public Works Employment Act of 1976.

This statement was submitted by Mayor Uhlman for the record of the Subcommittee on Intergovernmental Relations hearing held on January 14. Although that hearing was called to hear testimony on the Title II countercyclical assistance program, as you can see Mayor Uhlman's concerns are primarily with the public works program. I thought his comments might be of interest to you and your committee as you consider the future of the Title I program.

With best wishes.

Sincerely,

EDMUND S. MUSKIE.

Office Of The Mayor
City of Seattle

Wes Uhlman, Mayor

January 13, 1977 16R

The Honorable Edmund S. Muskie
Chairman,
Subcommittee on Intergovernmental Relations
Room 357
Rayburn Senate Office Building
Washington, D. C. 20510

Dear Senator Muskie:

Thank you for your invitation to testify before the Senate Government Operations Subcommittee on Intergovernmental Relations concerning the Local Public Works Capital Development and Investment Act of 1976. While I regret that I cannot appear before your committee I would like to submit the following testimony and report on what has happened in Washington State and how a new appropriation could be more equitably distributed.

If I can provide you with any additional information please do not hesitate to contact me.

Sincerely,

Wes Uhlman

Wes Uhlman
Mayor

WU:kkw

SUBCOMMITTEE ON
JAN 17 1977
INTERGOVERNMENTAL RELATIONS

It was just two days before Christmas when the State of Washington found out just how the Local Public Works Act of 1976 was going to help the state's unemployed. It turned out to be a bitter and depressing Christmas present for the citizens of our state. The act passed by the Congress to help the unemployed, dramatically failed to reach those persons most in need. The vast majority of the state's unemployed live in cities. Yet, large and medium sized cities of the state received _no_ assistance. The Congressional intent was subverted by Economic Development Administration officials administering the funds. Unemployed people were cheated out of job opportunities that Congress intended to create for them.

Seattle, with 17 percent of the state's unemployed persons, for the period EDA used in making its decisions, received no funds. Tacoma with 5 percent, Everett with 2 percent, and Spokane with 5 percent received no funds. In fact, the largest 16 cities in the state with 37 percent of the state's population received no funds. Not only did none of these local governments receive any funds but no projects within their boundaries were funded. The largest city in the state to receive assistance ranks 17th in population. The next largest ranks 33rd. One of the largest grants in the state, almost $2 million, went to a town in a rural county that ranks 225th in population. In one rural county a project for $1,761,512 was approved in a town with a population of 374 persons. In another county, with a 5.5% unemployment rate, a $833,812 road improvement project was approved. In that county 5.5% unemployment means 73 persons. A project for over $1.3 million was funded for an area that claims a total of 103 unemployed persons.

While the central cities of Seattle and Tacoma received nothing, a $3.8 million water treatment and storage project was approved for a city of 3,516 people. Not only did this project miss the central city unemployed, but it is a perfect example of EDA's habit of encouraging unplanned suburban growth rather than addressing critical central city problems.

Why is it that these funds were not distributed to the areas with the most need? Surely there is a better answer than the one given Pittsburgh Mayor Pete Flaherty by EDA Administrator John Eden. Eden reportedly told Mayor Flaherty that the reason Pittsburgh failed to qualify for funds was a "statistical aberration".

Although this subcommittee is here today to discuss what went wrong with the 1976 LPW program and how a new appropriation can work better, I suggest that the problem is more basic. Frankly, I had little expectation that EDA would implement the LPW program in a way that would benefit cities. The Economic Development Administration has historically made funding decisions that actually encourages sprawl. This program is just one more example. Perhaps this subcommittee should also look at the possibility of phasing out the EDA and transferring its powers and responsibilities to the Department of Housing and Urban Development.

The first order of business, however, is to insure that a new appropriation reaches the most people with the most need, but it is imperative that Congress examine the entire question of economic development and modify the traditional approach to reflect the realities of urban need.

Today I would like to present to this committee a report I had prepared on the distribution of LPW funds in Washington State. This report clearly documents the problem; in King County, with 47,850 unemployed, LPW awards represent $206 per unemployed person, while in one rural county the approved projects represent over $11,000 per unemployed. In another county, with a major city, Spokane, LPW awards represent a little under $37.00 per unemployed person. I am sure that the approved projects will result in needed jobs, but I am not at all sure they will result in jobs in the areas that most need them.

The $2 billion national appropriation provided about $40 million in Washington State. Over 900 applications for $717 million were submitted. Obviously the need far outweighed the available funds and any project selection would have raised complaints of inequity. What is needed now is a new appropriation and a new selection process.

A new appropriation must benefit those areas with the most need in terms of the number of unemployed persons; that means cities and urban counties. The easiest way to do this would be a city-oriented entitlement formula. But care must be taken. It will not be enough just to benefit the largest cities in the country. In Washington there are many medium and smaller cities that need public works funds which might not qualify under a national entitlement formula.

I urge that this not be allowed to happen. And I suggest that a substate allocation process can be developed that would benefit all areas while insuring that cities, with unique unemployment problems, receive their fair share.

This report includes a formula and a hypothetical allocation within Washington using the General Revenue Sharing formula and the percentage of unemployed persons in each county. It provides funds to all areas of the state, treats urban areas fairly and does not unduly concentrate funds. I believe that such a process is much fairer than the selection process utilized by EDA.

But other specific changes are necessary. A complete discussion of these is included in this report. I will only highlight four of the most important.

First. A national set-aside should be provided for Indian Tribes prior to establishing state planning ceilings. A few Western and Northern tier states should not have to bear the brunt of this truly national problem.

Second. EDA must not be able to decrease the significance of the number of unemployed persons in an area while increasing that of extreme rates of unemployment as was done in 1976.

Third. Income levels should be deleted as a separate selection criterion. Although per capita income level may be a good measure of the relative affluence of an area, it does not measure the need of unemployed persons.

Fourth. There should be some criteria developed which measure the impact of grants on overall community and urban development -- to what extent is urban sprawl encouraged and exacerbated?

At a minimum some modified measure, such as the number of families below the poverty definition, or a weighted measure, like that contained in the General Revenue Sharing formula, should be used.

In conclusion, I would like to say that the Local Public Works program is a good program for economic stimulous and worthy of increased funding. I urge that Congress speedily enact an additional appropriation and make the necessary programmatic changes to insure that those people who most need assistance are those who receive it.

Your City, Seattle

Office of the Mayor
Wes Uhlman, Mayor

Attached is a report I have had prepared on the distribution of 1976 Local Public Works Act funds within Washington State. As well as displaying the actual situation this report reaches several significant conclusions regarding the Economic Development Administration's selection process and makes recommendations for change.

The need now is for the speedy passage of a new appropriation to rectify the inequities of the 1976 funds distribution. However, as much as money is needed programmatic changes must also be made.

I believe it is clear that the most significant measure of need is the number of unemployed persons in an area. In the recent process EDA almost totally negated this factor, by the use of logarithms in its scoring, and by giving unemployment rates an undue importance. If there is a new appropriation EDA cannot be allowed to repeat this performance.

Other specific recommendations are included in the report. Two that I recommend especially to you are the funding of Indian Tribes and the need for some sort of substate allocation process.

Because of unique factors of unemployment, income levels and the project needs of Indian Tribes it is not reasonable to evaluate Indian applicants in the same selection process as local governments. The result of doing so is that a few Western states, including Washington, bear an undue burden of what is truly a national responsibility. I believe that the solution to this problem is to provide a special national set-aside for Indian Tribes before state planning ceilings are established. Indian applicants would then only be evaluated against each other and project awards would not count in a states total allocation.

I believe the need also exists for a substate allocation process. It has been suggested that the real need is for a special city entitlement allocation, but I am concerned that this might create more problems than it would solve in Washington. It is important that any formula entitlement reach many medium and smaller sized cities which have significant need but, due to their small size, might not be included in a national formula. I believe the solution to this problem is a substate allocation process that includes all areas of a state, while insuring that cities with unique unemployment problems receive their fair share. Within our urban areas we are faced with chronic unemployment that requires a concentrated effort to erradicate. Such unemployment is long term and cyclical. The very nature of the recent EDA Public Works process denied the existence of this urban unemployment problem. However, for those of us who live in urban areas it is a daily reality that cannot be ignored. The use of a substate allocation system would at least insure us of having some possibility of addressing the hard core urban unemployment issue. An example of such a process is included in the report.

Thank you for your consideration of this matter and the assistance you have already provided. If there is anything further I can do to help please call me.

Sincerely,

Wes Uhlman

Wes Uhlman
Mayor

WU:kkw

Local Public Works
Capital Development and Investment
Act of 1976

A REPORT
ON THE DISTRIBUTION OF FUNDS
IN WASHINGTON STATE

Prepared by
City of Seattle
Office of Policy Planning
R. W. Wilkinson, Jr., Director
January, 1977

Wes Uhlman
Mayor

Your City, Seattle

Office of the Mayor
Wes Uhlman, Mayor

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The need now is for the speedy passage of a new appropriation to rectify the inequities of the 1976 funds distribution. However, as much as money is needed programmatic changes must also be made.

I believe it is clear that the most significant measure of need is the number of unemployed persons in an area. In the recent process EDA almost totally negated this factor, by the use of logarithms in its scoring, and by giving unemployment rates an undue importance. If there is a new appropriation EDA cannot be allowed to repeat this performance.

Other specific recommendations are included in the report. Two that I recommend especially to you are the funding of Indian Tribes and the need for some sort of substate allocation process.

Because of unique factors of unemployment, income levels and the project needs of Indian Tribes it is not reasonable to evaluate Indian applicants in the same selection process as local governments. The result of doing so is that a few Western states, including Washington, bear an undue burden of what is truly a national responsibility. I believe that the solution to this problem is to provide a special national set-aside for Indian Tribes before state planning ceilings are established. Indian applicants would then only be evaluated against each other and project awards would not count in a states total allocation.

I believe the need also exists for a substate allocation process. It has been suggested that the real need is for a special city entitlement allocation, but I am concerned that this might create more problems than it would solve in Washington. It is important that any formula entitlement reach many medium and smaller sized cities which have significant need but, due to their small size, might not be included in a national formula. I believe the solution to this problem is a substate allocation process that includes all areas of a state, while insuring that cities with unique unemployment problems receive their fair share. Within our urban areas we are faced with chronic unemployment that requires a concentrated effort to erradicate. Such unemployment is long term and cyclical. The very nature of the recent EDA Public Works process denied the existence of this urban unemployment problem. However, for those of us who live in urban areas it is a daily reality that cannot be ignored. The use of a substate allocation system would at least insure us of having some possibility of addressing the hard core urban unemployment issue. An example of such a process is included in the report.

Thank you for your consideration of this matter and the assistance you have already provided. If there is anything further I can do to help please call me.

Sincerely,

Wes Uhlman

Wes Uhlman
Mayor

WU:kkw

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INTRODUCTION

This report considers the distribution of funds in Washington State under the Local Public Works Capital Development and Investment Act of 1976 and recommends changes in selection criteria in the event a further appropriation is made. The first part of the report displays the 1976 awards in Washington by county and considers county population, unemployment rate and number of unemployed. Additionally, grant awards and unemployment rates for the largest 46 cities in the nation are shown. Part two considers the selection criteria, application of the criteria and makes recommendations for change. Part three presents a hypothetical distribution of LPW funds using a substate allocation formula.

Although, of necessity, this report looks at the distribution of funds under the 1976 Act it should not be intrepreted as a critique of the selection of any individual project or of all projects in the State. Over 900 projects were submitted in Washington and only 40 were funded. There is no question that the selected projects will generate construction jobs, thus furthering the purposes of the Act.

The question is whether or not the selected projects will generate jobs in areas with the most need, defined by the number of unemployed persons, and in projects benefiting the most people and consistent with sound developmental policies. This report concludes that the answer is no and that if an additional appropriation is made it must be accompanied by programmatic changes.

Although this report only deals with Washington State we believe that the issues raised have national significance. Certain problems that appeared in Washington, specifically the impact of extreme rates of unemployment, may be only a regional problem, but others, such as the use of logarithms in scoring the number of unemployed persons, clearly have a national impact.

SUMMARY OF RECOMMENDATIONS

Part three of this report is a hypothetical distribution of funds based on a formula which uses a combination of the General Revenue Sharing formula and the percentage of unemployed persons residing in each county. This exercise is included in order to show that a substate allocation process could be used which could be easily applied and would be more equitable, and better further the purposes of the Act, than the process utilized by the Economic Development Administration. Whether or not this particular formula would work nationally is not addressed; its primary significance is as an example that such a process could be used.

Specific recommendations include:

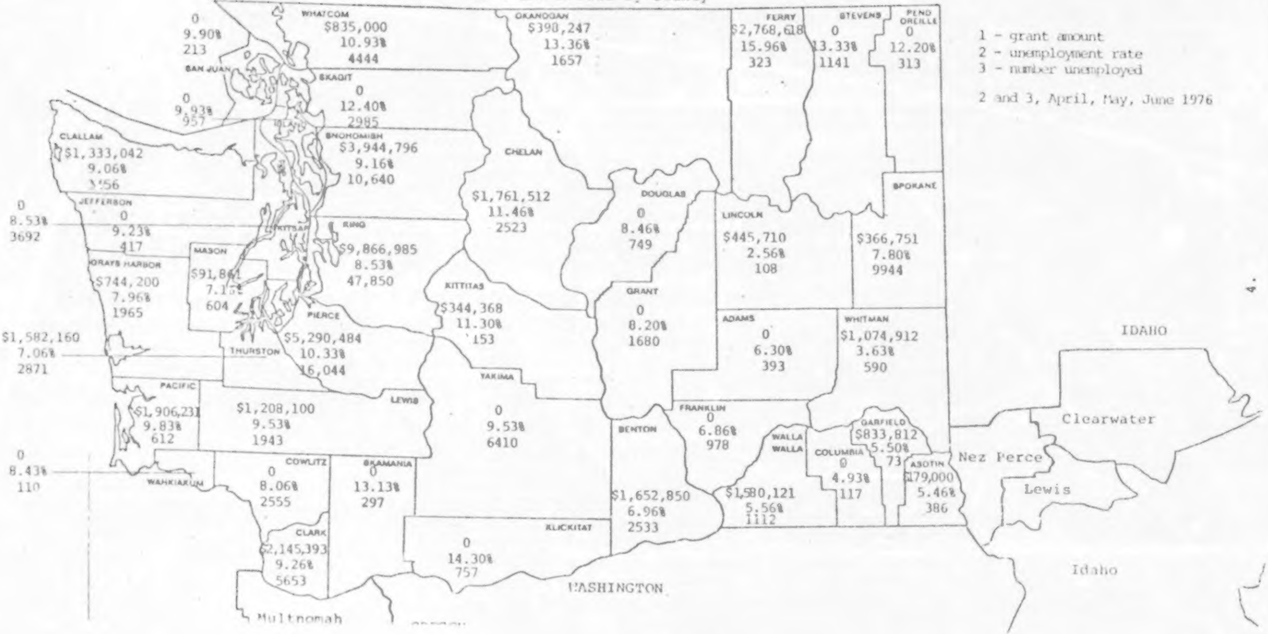
- Indian Tribes. Provide a national set-aside prior to establishing state planning ceilings.
- Labor Market Area. Provide standard, realistic definitions.
- Unemployment Rate Application. Minimize impact of extreme rates of unemployment which represent few people.
- Number Of Unemployed. Utilize raw numbers for scoring purposes rather than logarithms.
- Income Levels. Delete as selection criterion.

WASHINGTON STATE DISTRIBUTION

This part contains a display of 1976 LPW awards by the county of the applicant. Although many projects theoretically have an impact beyond a single county this report posits that most projects' labor impact will be substantially within a single county and no projects' benefits will exceed county limits. We believe that the second map (Grant Dollars Per Unemployed Person) is a particularly striking illustration of the distribution problem that resulted in Washington. Four Idaho counties and one Oregon county are shown on each map to show the extent of the labor markets claimed by some applicants. Examples of extreme or contradictory labor markets are displayed on the third map in this part.

Additionally, a comparison of the top 46 cities in the nation is included which indicates that the problem was not isolated to Washington State.

1976 LPW Awards by County



1976 LPW Awards by County
(All Counties in State Shown)

Population 1	Labor Force 2 Number of Unemployed	Unemployment Rate 3	Recipient	Amount	Project	Recipient 1 Population
12,400	Adams 6,214 393	6.30				
14,300	Asotin 7,063 386	5.46	Clarkston	$ 179,000	Animal shelter & rifle range	6,875
73,300	Benton 36,194 2,533	6.96	Benton City	$ 1,652,850	Water improvements	1,315
40,900	Chelan 22,035 2,533	11.36	Entiat	$ 1,761,512	Sewer facility	374
37,000	Clallum 16,150 1,456	9.06	Lower Elwha Tribal Council	$ 1,333,042	Community center	

1. 1975 Census
2. & 3. April, May, & June

Population 1	Labor Force 2 / Number of Unemployed	Unemployment Rate 3	Recipient	Amount	Project	Recipient 1 Population
149,000	Clark 61,117 5,653	9.26	Clark County Washougal	$ 1,8[illegible],118 $ 247,275 2,145,393	Detention facility City Hall & sewer	 3,500
4,300	Columbia 2,490 117	4.93				
70,700	Cowlitz 31,654 2,555	8.06				
18,100	Douglas 8,820 749	8.46				
4,200	Ferry 2,047 323	15.97	Inchelium School District	$ 2,768,618	Education facility	

Population[1]	Labor Force[2] Number of Unemployed	Unemployment Rate[3]	Recipient	Amount	Project	Recipient[1] Population
	Franklin					
26,700	14,186 978	6.86				
	Garfield					
2,800	1,330 73	5.50	Garfield County	$ 833,812	Road improvements	
	Grant					
42,700	20,487 1,680	8.20				
	Grays Harbor					
60,200	24,674 1,965	7.96	Hoquiam	744,200	Street improvements	10,054
	Island					
30,000	9,630 957	9.93				

Population 1	Labor Force 2 Number of Unemployed	Unemployment Rate 3	Recipient	Amount	Project	Recipient 1 Population
	Jefferson					
11,100	4,525 417	9.23				
	King					
1,148,000	560,521 47,850	8.53				
			Algona	$ 259,201	Water facility	995
			Auburn	$ 3,850,000	City Hall	22,300
			Bothell	$ 450,025	City hall alterations	5,885
			Enumclaw	$ 592,920	Water facility	4,600
			Issaquah	$ 193,918	Water & pump station	4,750
			Kent School District	$ 947,409	Physical education facility	
			Pacific	$ 565,810	Fire/Police station	1,601
			Shoreline School District	$ 266,702	Industrial arts facility	
			Snoqualmie School District	$ 2,741,000	School facility	
				$ 9,866,985		

Population [1]	Labor Force [2] Number of Unemployed	Unemployment Rate [3]	Recipient	Amount	Project	Recipient [1] Population
116,224	Kitsap 43,180 3,692	8.53				
25,300	Kittitas 10,289 1,153	11.30	Cle Elum	$ 344,368	Library	1,701
13,000	Klickitat 5,295 757	14.30				
47,100	Lewis 20,424 1,943	9.53	Centralia	$ 1,208,100	Library expansion	10,415
9,300	Lincoln 4,205 108	2.56	Davenport	445,710	Sewer & water facility	1,450

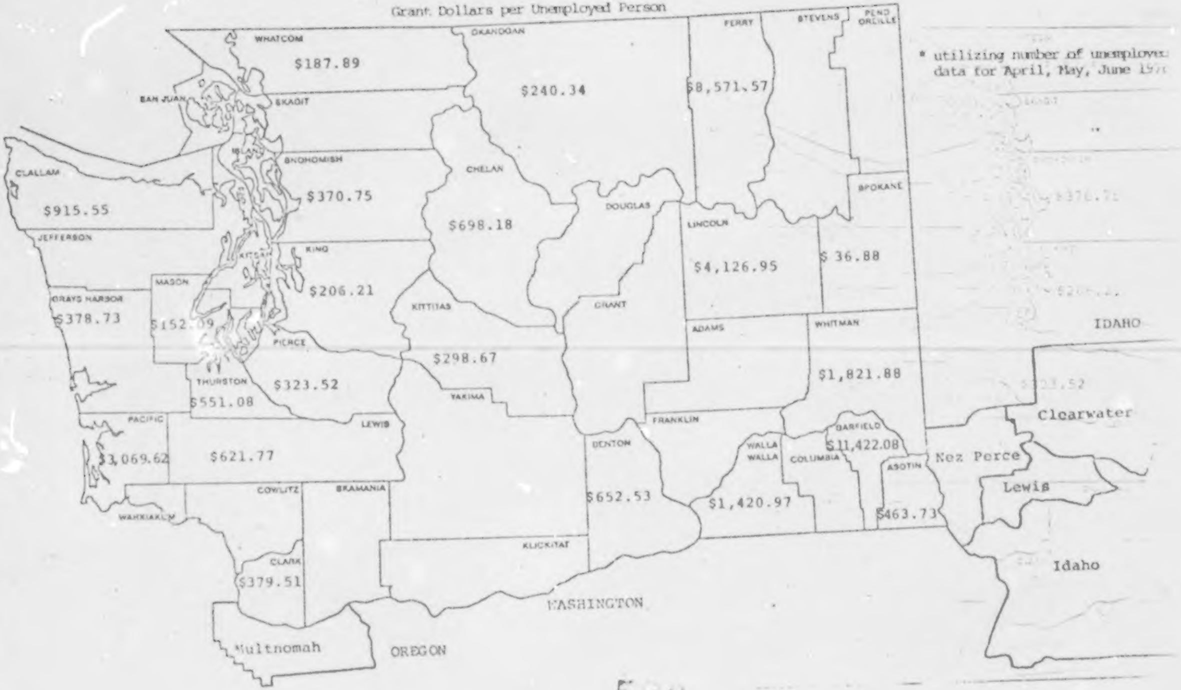
Population 1	Labor Force 2 Number of Unemployed	Unemployment Rate 3	Recipient	Amount	Project	Recipient 1 Population
22,200	Mason 8,454 604	7.16	Skokomish Tribe	$ 91,861		
26,500	Okanogan 12,456 1,657	13.36	Colville Confederated Tribe	$ 256,949 $ 141,298 $ 398,247	Community center expansion Basic urban facilities	
15,900	Pacific 6,334 621	9.83	Ocean Beach School District #101	$ 1,906,231		
6,500	Pend Oreille 2,587 313	12.20				
413,500	Pierce 155,136 16,044	10.33	Bonney Lake	$ 3,828,364	Water treatment & storage	3,516
			Buckley	$ 308,620		3,132

Population 1	Labor Force 2 Number of Unemployed	Unemployment Rate 3	Recipient	Amount	Project	Recipient 1 Population
	Pierce (con't.)					
			Orting School District #344	$ 1,153,500 $ 5,290,484		
	San Juan					
4,500	2,167 213	9.90				
	Skagit					
53,400	24,097 2,985	12.40				
	Skamania					
5,900	2,260 297	13.13				
	Snohomish					
268,000	116,242 10,540	9.16				
			Edmonds School District #15	$ 373,438	Vocational/horticultural facility	
			Granite Falls	$ 268,097	Water facility	792
			Monroe	$ 884,361	Public services building	2,686
			Stanwood School District #401	$ 1,815,900	Recreation facility	

Population 1	Labor Force 2 Number of Unemployed	Unemployment Rate 3	Recipient	Amount	Project	Recipient Population 1
	Snohomish (con't.)		Sultan	$ 603,000 $ 3,944,796	Water treatment & storage	1,150
298,000	Spokane 127,399 9,944	7.80	Medical Lake	$ 366,751		3,477
19,000	Stevens 8,594 1,141	13.13				
85,900	Thurston 40,648 2,871	7.06	Nisqually Indian Tribe	$ 712,145	Administration & net hanging building	
			Timberland Regional Library	$ 870[illegible] $ 1[illegible]	Library	
3,500	Wahkiakum 1,310 110	8.43				

Population 1	Labor Force 2 Number of Unemployed	Unemployment Rate 3	Recipient	Amount	Project	Recipient 1 Population
42,200	Walla Walla 20,022 1,112	5.56	College Place School District	$ 1,580,121	Physical education facility & bus garage	
86,200	Whatcom 40,793 4,444	10.93	Lummi Indian Tribe	$ 835,000	Aqua Culture facility	
38,700	Whitman 16,216 590	3.63	Rosalia School District #320 Port of Whitman	$ 123,867 $ 951,045 $ 1,074,912	Educational facility Water	
147,600	Yakima 67,188 6,410	9.53				

Grant Dollars per Unemployed Person



* utilizing number of unemployed data for April, May, June 197

Selected Labor Market

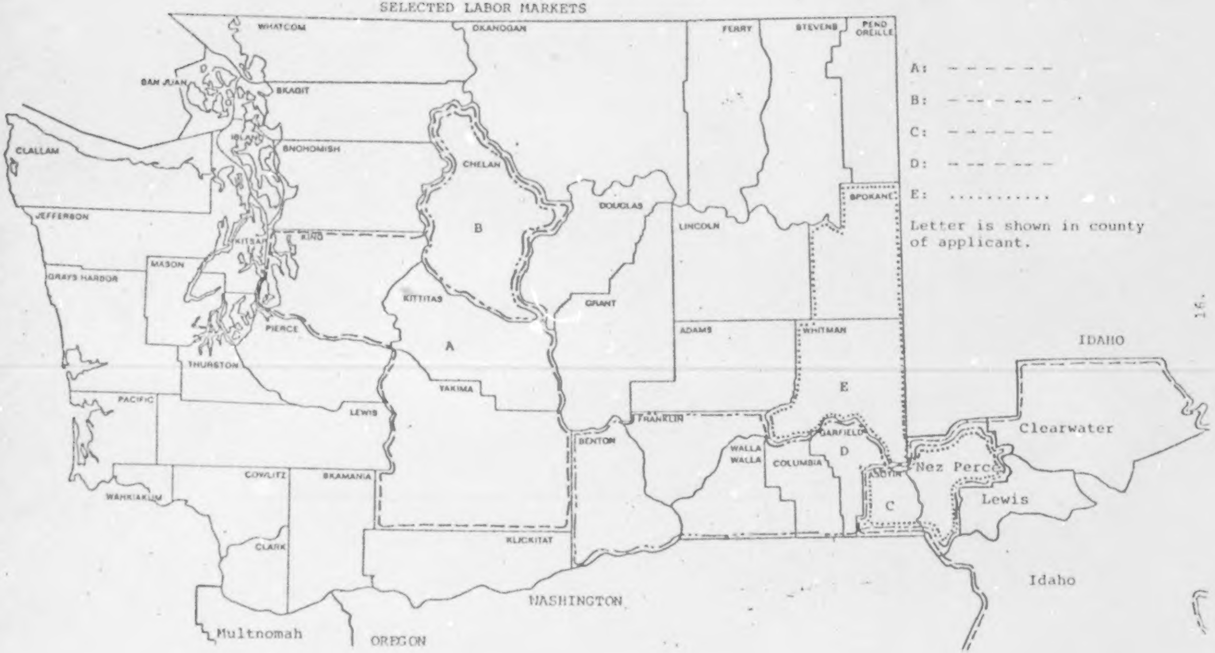
The following map and table shows five labor market areas that were claimed by Washington State applicants. Although each taken independently may appear valid when grouped they call into serious question the freedom of labor market definition allowed by the Act and EDA. A brief explanation of why each is significant follows.

A. A $340,000 project, east of the Cascade mountains, that includes King County, West of the Cascades, as part of its labor market. This gave this project the largest labor market in the State and is discussed elsewhere in this report.

B. A $1,761,512 project that only claimed Chelan County as its labor market even though it's a larger project than the one that claimed Chel[illegible] Kittitas, Yakima, and King counties.

C, D, and E. Three very different labor markets, all utilizing Asotin and Nez Perce counties which in total contain 12 counties.

SELECTED LABOR MARKETS



Letter is shown in county of applicant.

Selected Labor Markets *

County of Applicant/ Project Award	Number Unemployed in Labor Market	Counties Claimed in Labor Market
A. Kittitas $344,368	59,290	Kittitas, Yakima, Chelan, King.
B. Chelan $1,761,512	2,365	Chelan
C. Asotin $179,000	2,436	Asotin (Washington State) Nez Perce, Clearwater, Lewis, Idaho (Idaho State)
D. Garfield $833,812	7,034	Asotin, Garfield, Columbia, Walla Walla, Franklin, Benton (Washington State) Nez Perce (Idaho State)
E. Whitman $951,045	11,850	Asotin, Whitman, Spokane (Washington State) Nez Perce (Idaho State)

* Information from applicants Exhibit IV B-1, Request for Eligibility

Washington State Unemployment Data by County

April, May and June

County	Unemployment Rate	Civilian Labor Force	Number of Unemployed	Grant Amount
Adams	6.30	6,214	393	$
Asotin	5.46	7,063	386	179,000
Benton	6.96	36,194	2,533	1,625,850
Chelan	11.46	22,035	2,523	1,761,512
Clallam	9.06	16,150	1,455	1,333,042
Clark	9.26	61,117	5,653	2,145,393
Columbia	4.93	2,490	117	
Cowlitz	8.06	31,654	2,555	
Douglas	8.46	8,820	749	
Ferry	15.97	2,047	323	2,768,618
Franklin	6.86	14,186	978	
Garfield	5.50	1,330	73	833,812
Grant	8.20	20,487	1,680	
Grays Harbor	7.96	24,674	1,965	744,200
Island	9.93	9,630	957	
Jefferson	9.23	4,525	417	
King	8.53	560,521	47,850	9,866,985
Kitsap	8.53	43,180	3,692	
Kittitas	11.30	10,289	1,153	344,368
Klickitat	14.30	5,295	757	
Lewis	9.53	20,424	1,943	1,208,000
Lincoln	2.56	4,205	108	445,710
Mason	7.16	8,454	604	91,861

County	Unemployment Rate	Civilian Labor Force	Number of Unemployed	Grant Amount
Okanogan	13.36	12,456	1,657	$ 398,247
Pacific	9.83	6,334	621	1,906,231
Pend Oreille	12.20	2,587	313	
Pierce	10.33	155,136	16,044	5,290,484
San Juan	9.90	2,167	213	
Skagit	12.40	24,097	2,985	
Skamania	13.13	2,260	297	
Snohomish	9.16	116,242	10,640	4,036,657
Spokane	7.80	127,399	9,944	366,751
Stevens	13.33	8,594	1,141	
Thurston	7.06	40,648	2,871	1,582,160
Wahkiakum	8.43	1,310	110	
Walla Walla	5.56	20,022	1,112	1,580,121
Whatcom	10.93	40,793	4,444	835,000
Whitman	3.63	16,216	590	1,074,912
Yakima	9.53	67,188	6,410	

Data obtained from Washington State Department of Employment Security

LPW Awards to 46 Largest Cities in U. S.	% of Total State LPW Funds	% Total State Unemployment (Average Monthly Unemployment *)	City 1976 LPW Assistance	Statewide 1976 LPW Assistance
New York, New York	48	45	95,103,251	200,967,235
Chicago, Illinois	36	33	22,762,235	63,988,907
Los Angelos, California	11	15	26,756,572	249,902,510
Philadelphia, Pennsylvania	9	16	7,366,000	83,879,610
Detroit, Michigan	14	18	22,413,433	158,090,415
Houston, Texas	8	13	4,408,843	55,650,376
Baltimore, Maryland	28	25	5,832,077	20,472,509
Dallas, Texas	0	6	- 0 -	55,650,376
San Diego, California	1	4	1,606,300	249,902,510
San Antonio, Texas	3	8	1,397,003	55,650,376
Indianopolis, Indiana	18	15	4,125,600	22,751,240
Washington, D.C.	100	100	10,000,000	10,000,000
Milwaukee, Wisconsin	28	19	6,016,231	21,726,637
San Francisco, California	2	5	5,200,220	249,902,510
Cleveland, Ohio	8	7	4,990,000	59,546,456
Memphis, Tennessee	14	13	3,508,000	25,080,578
Phoenix, Arizona	0	38	- 0 -	13,194,112
Boston, Massachusetts	15	13	7,617,135	52,413,583
New Orleans, Louisiana	19	-	4,744,407	25,413,756
St. Louis, Missouri	21	14	4,145,965	19,291,710
Jacksonville, Florida	6	5	8,461,201	141,135,381
Columbus, Ohio	5	6	2,698,905	59,546,456
San Jose, California	0	3	- 0 -	249,902,510
Denver, Colorado	31	27	3,915,000	12,549,672
Seattle, Washington	0	17	- 0 -	40,559,705
Kansas City, Missouri	17	16	3,201,000	19,291,710
Pittsburg, Pennsylvania	0	5	- 0 -	83,879,610

	% of Total State LPW Funds	% Total State Unemployment (Average Monthly Unemployment *)	City 1976 LPW Assistance	Statewide 1976 LPW Assistance
Atlanta, Georgia	19	18	4,803,159	25,406,967
San Juan, Puerto Rico	0	15	- 0 -	89,282,597
Nashville, Tennessee	12	3	3,132,383	25,080,578
Cinncinati, Ohio	4	5	2,609,483	59,546,456
Buffalo, New York	2	4	3,328,807	200,967,235
Minneapolis, Minnesota	4	16	647,900	16,763,197
Portland, Oregon	1	19	325,529	29,388,719
Toldeo, Ohio	0	4	- 0 -	59,546,456
Omaha, Nebraska	0	40	- 0 -	10,388,035
Oklahoma City, Oklahoma	0	19	- 0 -	16,771,355
Newark, New Jersey	13	8	12,547,820	99,933,628
Fort Worth, Texas	0	4	- 0 -	55,650,376
Miami, Florida	0	7	- 0 -	141,135,381
El Paso, Texas	6	5	3,523,100	55,650,376
Long Beach, California	0	2	- 0 -	249,902,510
Oakland, California	2	3	4,928,000	249,902,510
Louisville, Kentucky	0	17	- 0 -	15,828,665
Tulsa, Oklahoma	0	14	- 0 -	16,771,355
Saint Paul, Minnesota	0	10	- 0 -	16,763,197

1976 LPW Assistance amounts obtained from December 23, 1976 Federal Register
Unemployment data obtained from August 25, 1976 "Unemployment Rates for States and Identifiable Local Governments Under Title I of the Public Works Employment Act of 1976" U. S. Department of Commerce

LPW Awards to 46 Largest Cities

The following chart provides a comparison of the unemployment data and the LPW grants for the 46 largest cities in the U. S. 33 percent (15) of these cities received no LPW funding. Six of these 15 cities receiving no LPW funds had at least 14 percent of their state's average monthly unemployed residing in their jurisdictions; the percentages ranged from 14 percent to 40 percent. It is hard to understand how a major city containing 40 percent of a state's unemployed could receive no LPW funding. Of the 31 cities that received LPW funds 16 received a higher percentage of the LPW funds in their state than the percentage of the state's unemployed who reside within their jurisdictional boundaries; the largest percentage difference was 9 percent. 13 of the cities receiving LPW funds received a lower percentage of the LPW funds in their state than the percentage of the state's unemployed who reside within their jurisdictional boundaries; the largest percentage difference was 18 percent.

PROJECT SELECTION CRITERIA

As can be seen from the following listing, the project selection criteria used by the Economic Development Administration are the same as those prescribed by the Local Public Works Capital Development and Investment Act of 1976, PL 94-369.

Criteria Required by PL 94-369

- severity and duration of unemployment
- income levels
- extent of underemployment
- extent to which project will contribute to the reduction of unemployment, and
- criteria to give preference to local government.

Criteria Which Can Be Inferred From PL 94-369

- project must relate to existing approved local community development or regional development plans
- project must promote longer range plans and programs

Criteria Adopted By Regulation By the Economic Development Administration

Basic Rank

- number of unemployed
- unemployment rate
- income levels
- labor intensity

Additional Considerations Added to Basic Rank

- project submitted by local government
- project relates to existing approved plans
- project has potential for long-term benefits

GENERAL COMMENT

These criteria appear to be reasonable, except for income levels which is discussed later and do not appear as if they would work against any particular class or type of applicant. However, the application of these criteria resulted in the following situation in Washington State:

Approved Projects

- Cities and Towns
  21 projects approved. The largest city to receive

assistance ranks 17th in the State in population (22,300 persons in 1975). The next largest city to receive a grant ranks 33rd. The smallest town to receive a grant ranks 225th out of the 265 cities and towns in the State.

- Counties
  Two projects approved. The two counties rank 5th and 39th in State in population. There are 39 counties in the State.
- School Districts
  Nine projects approved.
- Port Districts
  One project approved. No major district received assistance. The approved project is an inland port on the Idaho border.
- Library Districts
  One project approved.
- Indian Tribes
  Six projects approved.

From this listing it is obvious that:

- Populous cities,
- County governments; and
- Port districts

received little or no assistance from the LPW Act.

CRITERIA SCORING

Over the course of the application process EDA modified three scoring criteria. The original criteria scoring was:

o number of unemployed	30 points
o unemployment rate	25
o income levels	15
o labor intensity	30
Total	100 points

Additional factors resulting in percentage increases to the Basic Rank were:

o project submitted by local government	5 percent
o project relates to existing approved plans	5
o project has potential for long-term benefits	10

The modifications were:

- redefinition of labor intensity factor from person months of employment to ratio of wage cost/total project cost;

- definition of long-term benefits to give maximum preference to infrastructure and governmental buildings, less to parks or cultural facilities and zero preference to amenities, even though all of these projects presumably have the same effect in terms of providing jobs to the unemployed;

- redefinition of local government to include school districts; and

- provision of 3 percentage points additional score to special purpose governments.

The first modification appears to be neutral but the others worked to the detriment of cities: This was directly so in the dilution of additional points awarded to local governments and indirect in the case of long-term benefits.

Our hypothesis is that larger cities are less likely than smaller ones to be willing or able to engage in infrastructure or public buildings construction, within the realistic financial range of the LPW Act. The reasons for this range from the probability that these types of projects have already been constructed to the very high cost of their construction. Although EDA eventually removed project cost limitations, it still remained unrealistic, for a city such as Seattle or Tacoma, to submit an application for a new city hall or other municipal facility whose cost might equal 10 or 20 percent of the total statewide allocation.

Additionally, it appears that EDA may have introduced a bias towards new construction, which includes replacement construction, and against rehabilitation of existing facilities. It can be argued that this bias against rehabilitation, which adds a margin of utility to an existing facility, and which may, in fact, involve more labor per construction dollar than new construction, works against larger, older cities attempting to maintain historic service abilities and in favor of new suburban and exurban expansion. If this is a national pattern of LPW approvals then this report seriously questions the policy decisions that guided this program. (Local EDA representatives state that this was not the case and that awards were made on the basis of point scores and not project merits. While this may be true the ability of EDA to deny a particular project solely because its funding would represent an undue concentration of funds provided EDA with discretionary ability, as well as a de facto substate allocation process).

Although these modifications worked to diminish the relative advantage of general purpose local governments the scoring process, with one exception, still appeared to be equitable; there was no reason to believe that any class of applicant would be at a serious disadvantage. The exception concerns the relative scoring between number of unemployed and unemployment rate. It is our opinion that giving numbers 30 points and rate 25 points is too equal a weighting. The scoring allows high rates of unemployment, with little impact, to which is the more significant factor. A further discussion of these two factors is included in the following section.

CRITERIA APPLICATION

The application of the criteria, however, did work consistently against larger cities in the State of Washington. The methodology that the Procedural Paper for Administration of the Local Public Works Program used, and the additional factor of labor-market definition (discussed below), resulted in decreasing the significance of the number of unemployed and exaggerating the significance of extreme rates of unemployment that may only impact small numbers of persons.

1. Number of unemployed, although assigned 30 points, was decreased in importance by using the logarithm of the actual number rather than the actual number in the ranked array. Although we have not been able to get this array from EDA (quite possibly it only exists in a computer) the following example indicates the problem.

   o The smallest labor market claimed by an applicant included 103 unemployed while the largest included 59,290 unemployed persons. These extremes and various other labor market areas and their logarithms are:

Number of Unemployed	Approximate Logarithm
103	2.0128
2,830	3.4518
6,797	3.8323
10,573	4.0242
16,044	4.2053
32,642	4.5138
47,850	4.6799
59,290	4.7730

Regardless of how EDA then dealt with this array the use of logarithms says that 10,000 unemployed persons is only twice as bad as 100 and that almost 60,000 unemployed is only 2.387 times as bad as 100. It is obvious that this particular methodology negated the importance of this factor.

It is our opinion that logarithms were used for this factor not primarily to discriminate between large and small cities, but rather to insure that funds would not be concentrated in large labor markets. It appears that EDA intentionally downplayed the importance of this factor.

2. Unemployment Rate became a very biased criteria because of the extreme rates of certain small jurisdictions and,

specifically in Washington, Indian Tribes. The following explanation was provided by an EDA representative.

- Raw unemployment rates were arrayed from the highest to lowest in a "normalized" manner. This is a term used in the Procedural Manual which the EDA representative could only explain as involving the use of a normal distribution and standard deviation computations.

  The result was that Indian Tribes with extreme rates of unemployment, 31, 54, and up to 69 percent, received the maximum score of 25 points while the next highest score was probably 6 points for an unemployment rate of 13 or 14 percent. The Seattle-Everett SMSA, with a rate of 8.64 percent, probably got 3 or 4 points. (Note: It has not been possible to verify this information but examination of the final project ranking list lends it credence).

It is our opinion that the application of this criterion without regard to population or numbers of unemployed consistently worked to the disadvantage of all applicants except for a very few, representing few people, who have extreme rates of unemployment.

3. Income Levels. Although income level represented only 15 points of the Basic Rank it appears that this factor was critical within SMSAs. This explanation has been suggested to us by a representative of EDA.

- Within a given labor market all applicants can use the same unemployment rate and numbers of unemployed data. Assuming that applicant controllable factors, such as labor intensity, long-term benefits and relation to approved plans, were equal, the determining factor would be per capita income. The assumption is that some smaller jurisdictions within major labor markets would have a lower per capita income than the central city. (Note: We think this factor was regionally significant and may have been so nationally but the research would have to be done by an agency with access to national data and the resources to apply to the problem).

- An additional problem with this factor appears to be its lack of geographic definition for school districts and other special districts. EDA stated that income levels could only be used for the applicant's jurisdiction, however, EDA did not have available data for special districts. Thus, as explained to us by a representative of EDA, unless a school district voluntarily identified its boundaries as being conterminous with one, or a combination of two or more, general purpose government boundaries EDA utilized county-wide data. Since this information was not requested by EDA it raises the possibility of a relatively well off district not supplying it and thus being able to use more beneficial data, i.e., lower per capita income level data from the county at large.

4. Labor market definition. Although this was not a scored criteria, the ability of an applicant to choose their labor market, within certain limits, significantly affected final selection. This ability, which was provided by the Act, appears very reasonable on its face. There is no question that rural or suburban construction projects may well draw from a labor market larger than the applicant's jurisdiction. The problem with this factor appears to be an inconsistent application of the criterion. Several examples illustrate this problem.

- A $350,000 project in an Eastern Washington county claimed King County as part of its labor market. This gave this project the largest number of unemployed in the state, 59,200, which is 800 more than the King/Snohomish Consortium, the largest natural labor market in Washington.
- A $1,333,000 project which used a labor market with 103 unemployed persons. This applicant clearly used this labor market definition in order to maximize its unemployment rate, 54%. Just as clearly, a labor market with 103 unemployed persons is very unlikely to be able to provide the labor necessary for a project of this size.
- A $712,000 project with a labor market of 153 unemployed persons. This project faces the same criticism as the previous one.
- Other examples exist. In one county two projects used very different labor market areas. In a different county two projects were funded, one qualifying for 70 percent funds and the other for 30 percent funds due in part to the ability to use two different labor market definitions.

If labor market definitions, rather than jurisdiction boundaries, are used it appears that standard definitions should be provided by states or the Bureau of Labor Statistics and used by EDA. If this is not possible then it is clear that EDA should enforce minimum and maximum limits on labor market definitions. It is suggested that the labor market, if not a natural one, defined by trip patterns, should not represent either an unrealistically large number of unemployed persons or a number obviously inadequate to provide the necessary labor force.

EDA, in determining minimum labor markets, used a "rule of 3"; a labor market definition was allowed as long as the number of unemployed persons were at least three times the number of persons to be employed by a project. Since this program provides for construction trades jobs which account for 10 percent or less of the jobs in Washington it is difficult to understand how a labor market definition only three times larger than the number of required employees could conceivably provide the necessary labor force.

SUMMARY OF CRITERIA APPLICATION

It appears that in Washington the application of the selection criteria resulted in the following decision points.

Number of Unemployed — 30 points

Reduced the importance of this factor for large labor market areas — Favored smaller labor markets and non-SMSA jurisdictions

Unemployment Rate — 25 points

Reduced to minimal importance rates of unemployment between 7.5 percent and 14 percent — Favored jurisdictions with extreme unemployment rates

Application of factor was without regard to impacted population or numbers of unemployed persons.

Income Levels — 15 points

May have been deciding factor within SMSAs and large labor markets

Labor Market Definition — No points

Worked to qualify applicants who could not qualify in own right and allowed significant manipulation by applicants not in an SMSA.

The basic rank of 100 points was made up of 30 points controllable by the applicant and 70 points dependent upon the application of three criteria by EDA. It appears that this application worked consistently, in the State of Washington, against the more populous cities and all counties and in favor of other classes of applicants which represent significantly smaller unemployed populations.

There is no question that the selected projects will have a positive impact on the reduction of unemployment, to the extent possible under a program of this type. The question is whether or not the selected projects will result in the reduction of unemployment in areas that have the most need and further result in the construction of the most needed public facilities.

The conclusion of this report is that they will not and that if a new appropriation is made programmatic changes should be made.

RECOMMENDATIONS

Considering the number of applications submitted in Washington and the small amount of money available it is not possible to say that any selected project should not have been funded and some other project should have been. It is, however, clear that major areas of the state, with large numbers of unemployed persons, will not benefit significantly from this Act. As a result of this we conclude that if a new appropriation is provided certain changes, which impact the distribution of funds, should be made. These recommendations are based solely on an analysis of the distribution within Washington and may or may not have national applicability.

DEPARTMENTAL PROCEDURES

1. Number of Unemployed. Raw data rather than logarithms should be used.

2. Unemployment Rate.

   a. Whether or nor a jurisdiction can legitimately claim to be part of a larger labor market, it should first have to qualify based on jurisdictional data. First the applicant would qualify for either 30 percent or 70 percent funds based on jurisdictional data, then they would have the option of using labor market or jurisdictional data, but the choice could not change the initial qualification.

      Although this discussion considers that the 70/30 distribution formula is retained consideration should be given to eliminating it or changing it to 90/10.

   b. Minimum labor markets should be defined and their application enforced. No jurisdiction should be able to utilize a labor market, defined by number of unemployed, that cannot realistically be expected to provide the needed number and skills of workers required for a project.

   c. Maximum labor markets should be defined and their application enforced. Anytime a non-SMSA jurisdiction attempts to claim part of an SMSA as part of its labor market there should be a clear and compelling reason. It should not be sufficient that some previous construction jobs have been awarded to firms within the SMSA. For example, it is probable that Seattle firms have been awarded construction contracts in every county in Washington. The decision should be based upon documented work trip patterns and should be significant, e.g., a county adjoining an SMSA should not be able to claim all or part of the SMSA if work trip patterns show that it only draws 1, 2, or 5% or its labor from the SMSA.

d. An alternative to "b" and "c" would be to have the states and/or the Bureau of Labor Statistics define standard labor markets for all areas of the state.

3. Jurisdictional boundaries to be used by special purpose governments should be defined and limited to the district's boundaries. (Also see under Law).

4. Labor Market Definition. Discussed above and also under Law.

5. Long-term Benefits. The regulations allow 10 points for infrastructure or public buildings projects, 5 points for cultural, historic, or parks projects, and 0 points for amenities. The regular EDA definition of this term the provision of permanent jobs, was not considered. If this criterion is maintained either the regular EDA definition should be used or there should be no distinction between the first two categories, which as currently defined represent the difference between new construction, suburban and exurban expansion, and rehabilitation, urban maintenance.

REGULATIONS

It is our opinion that the regulations do little more than implement, in a logical manner, the requirements of the Act. The one recommended change is the relative ranking of number of unemployed persons and unemployment rate.

We believe the relative weights of these factors should be changed from the current 30/25 to 35/20 or 40/15. Although unemployment rates are significant, when used as an isolated criterion, as in the LPW process, they should not be able to negate the importance of the number of unemployed persons which is the more significant measure.

LAW - PL 94-369

1. Income Levels. There is a serious question of the significance of per capita income levels in defining need in a program that is designed to provide jobs for the unemployed. Although per capita income may be a good measure of the relative affluence of a jurisdiction's population, unless weighted by the number of unemployed and total population, it appears to be a very poor measure of the need of the unemployed population.

2. Labor Market Definition. Consideration should be given to requiring that labor market definitions must be consistent within states.

3. Local Government Definition. It appears that the intent of the Act, in requiring that preference be given to local governments, is to give preference to local general purpose governments. If this is the case it needs to be explicitly stated.

4. Indian Tribes. Allocation of sufficient, and developmentally significant, funds to Indian Tribes represents a serious problem in a number of western states. It is proposed that this problem could be equitably resolved if a special set-aside were made from the national appropriation prior to state planning ceilings being established. (This change would have the additional advantage, in Washington, of ameliorating the problem of extreme unemployment rates).

RECOMMENDED DISTRIBUTION OF A NEW APPROPRIATION

This report concludes that the only solution to the inequities resulting from 1976 LPW awards, in Washington, is a new appropriation. This appropriation should be at least the same as in 1976 which would provide approximately $40 million to Washington State applicants.

It is clear however, that any new funds must be distributed differently than in 1976. An earlier section of this report addresses the question indirectly by recommending changes in the selection criteria. While we believe these are important recommendations we believe that additional changes are required to insure that new funds reach areas with the most need.

CITY ENTITLEMENT

The most direct way to insure that funds reach areas with high numbers of unemployed persons is to provide a direct entitlement to cities, or at least city areas.

The advantages of this approach are ease of applicability, certainty of result, and if considered in conjunction with the 1976 funds, better statewide equity. The primary disadvantage is the failure guarantee funds to small cities and substate areas that may have significant need. This is a particular problem in many states, such as Washington, where there is one major city and then several smaller ones, some of which would be unlikely to qualify, based on population, under a national entitlement formula. Thus although a City Entitlement may be the easiest way to insure equity for large cities it may not be possible to develop a national formula that will guarantee equity for medium and smaller cities with significant need.

If a City Entitlement formula is adopted it must guarantee funds to central cities in recognition of the unique factors of central city unemployment but must also reach other cities which have different but significant problems.

SUBSTATE ALLOCATION PROCESS

An alternative to a City Entitlement is a Substate Allocation Process. Although this would solve only part of the distribution problem, it could, depending on the formula used, insure that all areas of the state benefited (which did not happen this time) and relate assistance to need rather than artificial limits imposed by determining area amounts by the selection of projects.

To see if such a process could be devised that, in Washington, would be equitable and related to need and unemployment a hypothetic distribution of $40 million was made using a formula which, by county, allocated 2/3 of the funds by the General Revenue Sharing formula and 1/3 by the percentage of unemployed persons in the state residing in the county. Although this formula may not be equitable nationally it appears, with a few possible exceptions, to be valid within Washington. The main reason to present this formula is to demonstrate that LPW funds could be so allocated and that such allocation would be more equitable than the method utilized by EDA.

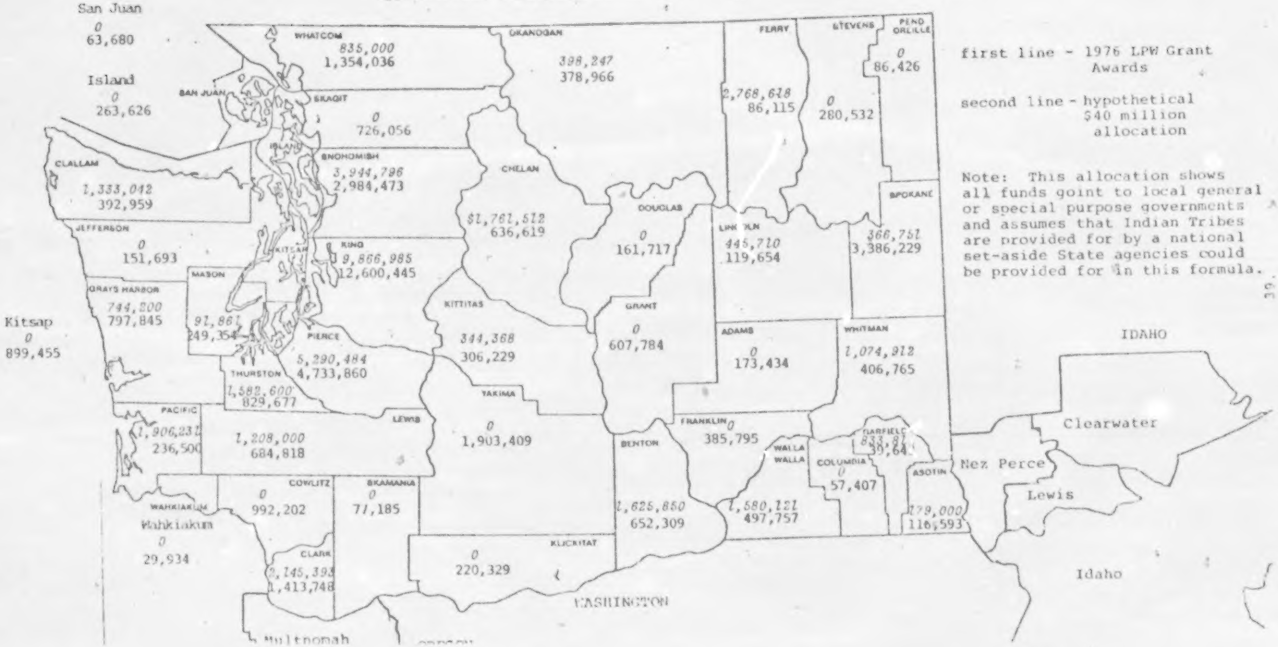
The following map shows the 1976 LPW grant awards, by county, on the first line and the hypothetic distribution using the above formula on the second line. Supporting computations follow the map.

It should be noted that using a substate allocation process does not solve the problem of individual applicants. In the first part of this report we have made various recommendations for modification of project selection criteria and the application of that criteria. If a substate process is used we believe that the following changes should be made that would affect project selection at the county or labor market area.

- A national set aside should be provided for Indian Tribes.
- Local government preference points should be limited to general purpose local governments.
- Special purpose local governments should not receive preference points.
- Income level should be removed as a criterion since its contained within the GRS formula.
- Recommended changes in unemployment data should be made:
    - unemployment rate, undo influence of extreme unemployment rates should be corrected; and
    - unemployment numbers, raw data rather than logarithms should be used.
- Recommended changes in the definition of long term benefits should be made.
- Consideration should be given to a sub-county allocation when the county contains a city above some certain size.
- Consideration should be given to allocating funds

to jurisdictions and then allowing the jurisdiction to negotiate particular projects with EDA.

Hypothetical Substate Formula Allocation



first line - 1976 LPW Grant Awards

second line - hypothetical $40 million allocation

Note: This allocation shows all funds goint to local general or special purpose governments and assumes that Indian Tribes are provided for by a national set-aside State agencies could be provided for in this formula.

Hypothetical Substate Formula Allocation
(Explanation of Chart)

Column	
A	County/City County, geographic area. Jurisdictions are inset where useful as examples.
B	Percent of State Unemployment Percentage based on three month average number of unemployed for April, May, and June 1976. Data is from Washington State Department of Employment Security and includes CETA data.
C	GRS EP 5 Amount of funds received in area in General Revenue Sharing Entitlement Period 5. (This is the most recent data available in published form for the entire state and is presumed to be comparable to EP 7 amounts).
D	Percent of State GRS EP 5 funds as percent of total. (All county areas add to 2/3).
E	1976 LPW Amount Grant awards made within county under the 1976 LPW Act.
F	Percent of State 1976 LPW amount as percentage of State total.
G	Two-thirds of LPW Using GRS Formula Hypothetical allocation of 2/3 of total $40 million using GRS formula.
H	One-third of LPW Using Percent of State Unemployed Hypothetical allocation of 1/3 of total $40 million using county percentage of State unemployed persons.
I	Total Proposed LPW Dollars Total hypothetical allocation of $40 million.

J	Percent of State Hypothetical allocation as percentage of State total.

Special Notes

1. Dashes, --, indicate that either the information is not available or not relevant.
2. Bracketed amounts, ( ), are non-additive and are included in the first non-bracketed amount above.

Miscellaneous

A comparison of columns F and J shows the percent of State funds awarded under the 1976 LPW Act and the hypothetical allocation; columns E and I compare the actual amounts. A comparison of columns B, F, and J shows what the LPW funds percentage would be if based solely on percentage of state unemployed, to what the 1976 LPW funds percentage was, to what it would be using combined GRS/Percentage of Unemployed formula.

A	B	C	D	E	F	G	H	I	J
County/City	% of State Unemployed	GRS EP 5	% of State	1976 LPW Amount	% of State	2/3 of LPW Using GRS Formula	1/3 of LPW Using % of State Un-employed	Total Proposed LPW Dollars	Percent of State
Adams	.0028	295,184	.0034	- 0 -	0	136,100	37,334	173,434	.0043
Asotin	.0027	174,798	.0020	179,000	.0044	80,592	36,001	116,593	.0029
Benton	.0183	885,552	.0102	1,625,850	.0403	408,304	244,005	652,309	.0163
Chelan	.0182	854,412	.0098	1,761,512	.0437	393,948	242,671	636,619	.0159
Clallam	.0105	548,630	.0063	1,333,042	.0330	252,956	140,003	392,959	.0098
Clark	.0418	1,857,410	.0214	2,145,393	.0532	856,404	557,344	1,413,748	.0353
Vancouver	—	654,166	.0075	- 0 -	0	(301,616)	—	—	
Columbia	.0008	101,375	.0012	- 0 -	0	46,740	10,667	57,407	.0014
Cowlitz	.0184	1,619,831	.0187	- 0 -	0	746,864	245,338	992,202	.0248
Douglas	.0054	194,58'	.0022	- 0 -	0	89,716	72,001	161,717	.0040
Ferry	.0023	120,262	.0014	2,768,618	.0686	55,448	30,667	86,115	.0022
Franklin	.0070	634,301	.0073	- 0 -	0	292,460	93,335	385,795	.0096
Garfield	.0005	71,523	.0008	833,812	.0207	32,976	6,667	39,643	.00099
Grant	.0121	968,276	.0112	- 0 -	0	446,448	161,336	607,784	.0152
Grays Harbor	.0142	1,319,760	.0152	744,200	.0184	608,508	189,337	797,845	.0199
Island	.0069	372,227	.0043	- 0 -	0	171,624	92,002	263,626	.0066
Jefferson	.0030	242,249	.0028	- 0 -	0	111.692	40,001	151,693	.0038
King	.3460	17,322,600	.1997	9,866,985	.2445	7,987,024	4,613,421	12,600,445	.3150
King Co.	—	6,096,976	.0703	- 0 -	0	(2,811,164)	—	—	

A	B	C	D	E	F	G	H	I	J
County/City	% of State Unemployed	GRS EP 5	% of State	1976 LPW Amount	% of State	2/3 of LPW Using GRS Formula	1/3 of LPW Using % of State Unemployed	Total Proposed LPW Dollars	Percent of State
Seattle	.1741	8,528,820	.0983	- 0 -	0	(3,932,428)	(2,321,378)	--	
Balance	.1719	2,696,804	.0311	9,866,985	--	(1,243,428)	(2,292,044)	--	
Kitsap	.0267	1,178,653	.0136	- 0 -	0	543,448	356,007	899,455	.0222
Bremerton	--	387,638	.0045	- 0 -	0	(178,728)	--	--	
Kittitas	.0083	424,143	.0049	344,368	.0085	195,560	110,669	306,229	.0077
Klickitat	.0054	321,702	.0037	- 0 -	0	148,328	72,001	220,329	.0055
Lewis	.0140	1,080,407	.0125	1,208,000	.0299	498,148	186,670	684,818	.0171
Lincoln	.0007	239,275	.0028	445,710	.0110	110,320	9,334	119,654	.0030
Mason	.0043	416,466	.0048	91,861	.0023	192,020	57,334	249,354	.0062
Okanogan	.0119	477,790	.0055	398,247	.0099	220,296	158,670	378,966	.0095
Pacific	.0044	385,693	.0044	1,906,231	.0472	177,832	58,668	236,500	.0059
Pend Oreille	.0022	123,832	.0014	- 0 -	0	57,092	29,334	86,426	.002[illegible]
Pierce	.1160	6,912,456	.0797	5,290,484	.1311	3,187,164	1,546,696	4,733,860	.1183
Pierce Co.	--	2,744,865	.0316	- 0 -	0	(1,265,588)	--	--	
Tacoma	.0545	3,664,035	.0422	- 0 -	0	(1,689,396)	(726,681)	--	
Balance	.0615	503,556	.0058	5,290,484	--	(232,176)	(820,016)	--	
San Juan	.0015	94,742	.0011	- 0 -	0	43,680	20,000	63,680	.0016
Skagit	.0215	952,963	.0110	- 0 -	0	439,384	286,672	726,056	.0182
Skamania	.0021	106,675	.0012	- 0 -	0	49,184	28,001	77,185	.0019
Snohomish	.0769	4,249,023	.0490	3,944,796	.0978	1,959,120	1,025,353	2,984,473	.0746

A	B	C	D	E	F	G	H	I	J
County/City	% of State Unemployed	GRS EP 5	% of State	1976 LPW Amount	% of State	2/3 of LPW Using GRS Formula	1/3 of LPW Using % of State Unemployed	Total Proposed LPW Dollars	Percent of State
Snohomish Co.	--	2,030,610	.0234	- 0 -	0	(936,264)	—	--	
Everett	.0188	1,317,494	.0152	- 0 -	0	(607,464)	(250,671)	--	
Balance	.0581	900,919	.0104	3,944,796	—	(415,388)	(774,682)	—	
Spokane	.0719	5,264,964	.0607	366,751	.0091	2,427,544	958,685	3,386,229	.0847
Spokane Co.	--	1,944,309	.0224	- 0 -	0	(896,472)	—	--	
Spokane City	.0473	3,174,988	.0366	- 0 -	0	(1,463,908)	(630,679)	--	
Balance	.0246	145,667	.0017	366,751	—	(67,160)	(328,006)	--	
Stevens	.0082	371,298	.0043	- 0 -	0	171,197	109,335	280,532	.0070
Thurston	.0207	1,200,835	.0138	1,582,600	.0392	553,672	276,005	829,677	.0207
Olympia	--	454,968	.0052	- 0 -	0	(209,772)	--	--	
Wahiakum	.0007	44,684	.0005	- 0 -	0	20,600	9,334	29,934	.0007
Walla Walla	.0080	848,212	.0098	1,580,121	.0392	331,088	106,669	497,757	.0124
Whatcom	.0321	2,008,410	.0232	835,000	.0207	926,028	428,008	1,354,036	.0339
Whatcom Co.	--	985,010	.0114	- 0 -	0	(454,160)	--	--	
Bellingham	--	860,696	.0099	- 0 -	0	(396,844)	—	--	
Balance	--	162,704	.0019	835,000	—	(75,016)	—	--	
Whitman	.0042	760,758	.0088	1,074,912	.0266	350,764	56,001	406,765	.0102
Yakima	.0463	2,789,276	.0322	- 0 -	0	1,286,064	617,345	1,903,409	.0476
Remaining 1/3		28,918,450	.3333	- 0 -	0	13,333,588	ZERO	ZERO	

MAINE MUNICIPAL ASSOCIATION,
Augusta, Maine, January 6, 1977.

JOHN E. CORRIGAN,
Regional Director, U.S. Department of Commerce, Economic Development Administration, Atlantic Regional Office, Philadelphia, Pa.

DEAR MR. CORRIGAN: Numerous Maine municipalities that were applying for Local Public Works funds were not aware of the December 9 deadline for all resubmitted applications to be received by the Regional Office, although that date was cited in the November 19 issue of the Federal Register. It seems that such an important deadline would have been more noticeably referred to in the Register, and that EDA could have made a better effort to make that date common knowledge.

MMA has also noted that the November 19th notice stated that "an applicant whose application was initially submitted between December 1 and December 3, 1976 will be *notified immediately* following the receipt of its application if the application is incomplete. This *will assist* the applicant to meet the December 9th deadline for resubmission of applications." In at least one instance which MMA is aware of, attempts at immediate notification were insufficient. Specifically, the Town of Sanford's application was processed by the Philadelphia EDA office along the following timetable:

1. EDA-Philadelphia receives Sanford Application on December 3, 1976.
2. EDA sends Sanford the review form under a cover letter dated December 6, 1976. The Review Form was completed by EDA on December 4, 1976.
3. Sanford does not receive above reference review form until December 14, 1976. There is no possible way to resubmit before December 9 since the 9th has passed.

Any attempts at assisting the applicant in meeting the December 9th deadline are conspicuously lacking from the above timetable.

In light of EDA's administration of the Public Works Act, MMA cannot endorse any refunding of the Act without appropriate changes in the regulations, the administration and the coordination of the program take place.

Sincerely,

JOHN L. SALISBURY,
Executive Director.

THE CITY OF UTICA,
OFFICE OF THE MAYOR,
Utica, N.Y., January 28, 1977.

Hon. JENNINGS RANDOLPH,
U.S. Senator,
Dirksen Senate Office Building,
Washington, D.C.

DEAR SENATOR RANDOLPH: The passage of a new Public Works Bill, recently introduced in Congress is of the utmost urgency to the City of Utica.

Under the previous Bill we submitted 8 projects to totalling $10 million. These projects represent a comprehensive effort to improve our City's physical assets, create desperately needed jobs, and to stimulate economic development.

Utica has the second highest unemployment in the State, now in excess of 15%. We have suffered the loss of at least a dozen major industries and businesses from our City. We need help here, and we need it now.

Needless to say, we were shocked and amazed to learn that Utica or Oneida County did not even get a single penny of this funding. Therefore, certain changes must be made in the new jobs bill if cities the size of Utica are to benefit.

The distribution of funds by the 70–30 method must be dropped with 100% of the funds going to areas whose unemployment rate exceeds the national average; with the priority for those areas whose rate has exceeded the national average for 3 months.

If smaller cities with high unemployment rates located within economically depressed areas are to be properly considered, then there must be changes in the method of ranking projects. The factor which considers the number of unemployed workers in the project area *must* be changed to *percentage* of unemployed.

There is no way Utica can compete with the larger urban centers, since the City, or even the SMSA, does not have the population.

As such, a separate category or factor should be considered for smaller urban centers. A category for cities with under 100,000 population, but with chronic unemployment, could be created. These smaller cities would not be competing against larger urban centers.

Lastly, it should be clearly stated that only those unfunded applications now on file will be considered for funding under the new Bill.

In closing, I trust you will consider these points and produce a jobs Bill which is fair and equitable for all cities and one which will give smaller urban centers, such as Utica—a chance to obtain its rightful share of funds.

Sincerely,

EDWARD A. HANNA, *Mayor.*

THE CITY OF UTICA,
OFFICE OF THE MAYOR,
Utica, N.Y., January 6, 1977.

Hon. HUBERT H. HUMPHREY,
U.S. Senator,
Russell Senate Office Building,
Washington, D.C.

DEAR SENATOR HUMPHREY: I know everything must be going well with you from the big broad smile I see across your face every time I turn on the television.

We say it every time—what a statesman! What a great humanitarian!

I've been following how hard you've been working on the unemployment front, and thought you might like to know about a few changes I've been suggesting in regards to the new Public Works Bill.

I don't have to tell you how desperate we are in Utica for such help as this bill would provide. With a more than 15% unemployment rate for over two years now, we need all the help we can get.

If we're going to get any help from this new bill, however, then there definitely has to be some changes made from the way the previous funds were distributed.

The distribution of funds by the 70–30 method must be dropped—100 percent of the funds should go to areas whose unemployment rate exceeds the national average; with the priority for those areas whose rate has exceeded the national average for 3 months.

More importantly, if smaller cities with high unemployment rates located within economically depressed areas are to be properly considered, then there must be changes in the method of ranking projects. The factor which considers the number of unemployed workers in the project area must be changed to percentage of unemployed.

There is no way Utica can compete with the larger urban centers since the City, or even the SMSA, does not have the population.

As such, a separate category or factor should be considered for smaller urban centers. A category for cities with under 100,000 population, but with chronic unemployment, could be created. These smaller cities would not be competing against larger urban centers.

Finally, it should be clearly stated that only those unfunded applications now on file will be considered for funding under the new Bill.

I hope these points will be helpful to you and your colleagues in producing a bill which is fair and equitable for all cities, and one which will give smaller urban centers such as Utica—a change to obtain its rightful share of funds.

If there is anything at all I can help you with, please don't hesitate to contact me.

Sincerely,

EDWARD A. HANNA, *Mayor.*

BOROUGH OF WARREN,
Warren, Pa., January 27, 1977.

To Senators Randolph, Stafford, Heinz, and Members of the Committee:

I am writing to you in behalf of the Town Council of the Borough of Warren, Pennsylvania.

It is our opinion that the remarks and guidelines expressed by EDA representatives at several meetings pertaining to the types of programs to be funded under the Act, and the manner in which applications were to be submitted, were not necessarily implemented. We also believe that the reasons for which some of the applications, including our own, were denied were not found based upon the information and guidelines presented by EDA.

We suggest that in any future legislation for similar types of funding programs the following be taken into consideration:

A. That more emphasis and consideration be placed upon applications which provide for public facilities and projects which support the necessary services rendered by local governments, such as public safety and public works programs.

B. That unemployment statistics, as applied to the rural and non-urban areas, have a different basis than that of the large cities and urban areas.

C. That the fiscal crisis, which confronts many small communities, and the economic impact of Federal funding for Public Works programs be given more weight in the review of applications and the eventual funding of such projects.

Although we recognize that there is little Senator Heinz can do about some of the projects which have been funded, we respectfully request that any future projects for communities in Pennsylvania be funded along the lines of aforementioned suggestions rather than the criteria previously used. We stand ready to provide the Senator with any information which will assist him in his efforts and support his position to assure more equitable distribution of Public Works funds to Pennsylvania communities.

Sincerely,

F. J. STRANGE,
Borough Manager.

COUNTY COMMISSIONERS' OFFICE,
Wyoming County, Pa., February 1, 1977.

To: Senators Randolph, Stafford, Heinz, and members of the Public Works Committee.

From: Wyoming County Commissioners, Wyoming County, Pa.

Subject: Testimony on recent public works grants and allocations under the Public Works Employment Act of 1976.

GENTLEMEN: Our recent request for public works funds under the EDA allocations of the Public Works Employment Act of 1976 was not approved even though the project would have been meritorious to upgrading county services along with meeting the other criteria.

Our county has had a progressive rise in the percent of the civilian work force unemployed from 1975 through November of 1976. Figures indicate we ranged from a low of 10.9 percent (October of 1975) to a high of 15.6 percent (July 1976). In each month the 1976 percentages have increased one or two percent over the 1975 figures. This means that our unemployed range between 1,000 and 2,000 yearly. It is apparent then that a definite need exists for measures that will provide both short term and long term employment opportunities. The latter can only come about if funds are made available through the former. Limited funds from revenue and increasing costs for necessary services preclude one county from having its own funds available for this type of activity, thus we must turn to the government. Our problems are every bit as serious to us and our people as those of urban people are to them yet, once again, urban areas are given the lion's share of the benefits. Remember too, rural areas like ourselves do not have the HUD funds to draw from. Disbursement of HUD funds in the past has also seemed inequitable.

The project that was turned down was that of a jail facility for the county. The present structure is inadequate, antiquated and unfit for penal incarceration. Currently, inefficiency and added risks result because we have to house prisoners in other counties, pay more for other keep and add costs due to the necessary transportation of the prisoners. We might add this does not permit energy conservation. As a part of this project the old facility would have been rehabilitated for use as county office space which is another need.

All land involved is county-owned, thus total funds would go for employment in erection of the facility. The project would provide 50 to 75 short term jobs in the erection and outfitting of the facility. Long term jobs created would be 25 to 30 through added jail personnel and through the upgrade of services resulting in the additional office space.

Again, it is disappointing to see rural areas slighted and, in particular, our county project. We would request that the ranking and selection criteria be carefully reviewed and adjusted for a more fair funding chance for rural areas.

We further suggest that once criteria is set, there be no last minute adjustment to that system by any agency.

We hereby respectfully submit this testimony to your committee. We thank you for your consideration of the material and any and all cooperativeness given in your reassessment of the program.

Respectfully submitted,

WILLARD H. BAKER,
HAROLD GROW.

CARIBOU, MAINE, *February 4, 1977.*

Senator ROBERT STAFFORD,
State of Vermont,
Washington, D.C.

DEAR SENATOR STAFFORD: I wish to thank the committee for asking me to insert this letter into the record of this meeting. My name is J. C. Triplett and for the past 2½ years I have been working on an updated history of the Civilian Conservation Corps (CCC 1933–1942).

I have during this period of time interviewed over 200 former CCC personnel including former enrollees, camp commanders, project supervisors, company commanders, and military and political leaders.

This research has been done for the past year under a special grant from the National Endowment for the Humanities.

Although I am not prepared to draw definite conclusions as to the overall effectiveness of the Civilian Conservation Corps I am at that point of research that permits a fairly comprehensive overview.

In many ways it is most fitting and proper that I should be asked to comment on youth employment programs for I am a product of the welfare system (having been raised by the welfare agencies of the State of Indiana) and like so many of the youth today, I was placed in the position at the age of 6 of trying to find a job with only minimal education and no skill training at all. It is only by good fortune that I managed to acquire an education at the age of 25. I shudder to think where I would be today if at the age of 16 I were black and raised in an urban environment as opposed to being white and raised in a rural atmosphere.

I hope that this material will be of benefit to your committee and to your colleagues. I am, of course, prepared at any time to answer any interrogatives concerning my findings in either written form or by personal appearance in front of the committee.

Thank you for your attention with hopes that this material serves a useful function.

I am sincerely yours,

J. C. TRIPLETT.

CARIBOU, MAINE, *February 8, 1977.*

Senator ROBERT STAFFORD,
State of Vermont,
Washington, D.C.

A REVIEW OF THE CIVILIAN CONSERVATION CORPS AND THE APPLICATION OF CORPS ACTIVITIES AS A PARTIAL SOLUTION TO THE YOUTH UNEMPLOYMENT PROBLEM OF 1977

DEAR SENATOR STAFFORD: Traditionally in this country manpower policies, especially in the case of youth, minorities, and women have been piecemeal. My comments and views will be primarily directed at the issues of long-term federally funded programs for continuous training of youth, both black and white, male and female.

TODAY'S YOUTH EMPLOYMENT PROBLEM

Experience over the last 30 years has made us aware that young people with a poor education and no skills, and young women, with or without a college education, face the distinct possibility that the job market will, for them, be closed. The majority of these young people end up in dead-end jobs such as dishwashers or cooks, and eventually become so discouraged with their prospects that they fall out of the job market altogether.

SOCIAL AND EDUCATIONAL FACTORS INVOLVED IN THE DECISION TO DROP OUT OF SCHOOL

1. With young men and women not yet of the college age, it seems that the available school facilities within the reach of these youths are inadequate or the curriculum of the school fails to enlist or hold their interest.
2. Quite often many personal difficulties arise between the youth and his parents, or the parents lack the resources, financial as well as psychological, to keep the youth in school.
3. They lack the interest, on a major scale, necessary to keep them in school or they lack the mental ability to continue with their education.
4. The environment in which they live works against regular attendance at school or a cooperative attitude toward the school and their fellow pupils.
5. They are so badly handicapped by ill health, undernourishment, and psychological reinforcement that educational progress is impossible.
6. Their normal native intelligence is so far below that of his/her peers that normal educational and trade schools do not provide the necessary inducement to continue on until a skill is learned.

SKILL TRAINING AND VOCATIONAL SCHOOLS

In respect to continued skill training, we find that we are still plagued with the stereo-type of vocational schools, that is to say vocational schools are still thought of as "convenient dumping grounds" for young people who are not qualified to enter college. Equally important however, is the knowledge that the educational standards of colleges have dropped so far, and so many young people are entering and exiting from college today that the college graduate finds himself in approximately the same position (employment-wise) as did the high school graduate of 1930.

Therefore, it is imperative that we find, on a national level, a method to provide skill training to young people that will not have the effect of wearing off and losing its value through the normal working cycle of the average American (first job to retirement).

WHERE DO WE FIND SUCH TRAINING

In 1933 two programs were initiated by President Roosevelt to provide the nation with access to its future national resource of employees. The first program was the NYA—National Youth Administration—which much like the vocational schools, provided a large number of people the opportunity to continue their education by subsidizing their studies while they learned specific trades such as machine operations and office management and continuing on through college level courses. The second program; the Civilian Conservation Corps, provided physical work in the forest, both national and state, for young men (exclusively) who had no desire, ambition or opportunity to continue with their education but wished to be employed and eventually employable in the private sector.

The objectives of the CCC were threefold:

First, to provide "relief" employment for that segment of the national population that were young, uneducated, untrained, and bound by inheritance to the city;

Second, to provide the nation with an on-going program of conservation of our natural resources in the forests and in the farming communities; and

Third, to transfer a large segment of the young population that had never experienced any employment to an area where employment was available.

The results were that the program not only increased our national wealth by over one trillion dollars but provided the stimulus to bring the youth from the inner city to the rural areas where work was available. More importantly, however, the CCC provided a massive infusion of technical training that could not be found in any other way by these same young men.

For 35 years historians have notoriously looked at the CCC strictly as a relief agency. It is only recently that we have come across, through oral history, the knowledge that a tremendous amount of on-the-job training, skill training and basic education took place in these camps under the direction of the local camp commanders, supervisors, and local experienced men. A recent interview with a CCC camp project director indicates that the following skills were taught, regardless of, and in lieu of, directives from the national organization: heavy machine operation, dam building, woodworking, carpentry, masonry, road building, telephone linemen and repairmen, electricians, plumbers, cooks and bakers. And this is only a partial list.

It might be added that the majority of this skill training was done by the project directors, camp commanders and educational advisors on their own time, by their own initiative and without incentive of pay or promotion. It is interesting to note that the majority of the CCC camps personnel was under the age of 24.

In addition to the skills and job training listed above, a considerable amount of time was devoted to educational counseling, the learning of the three "R's," psychological profiling, and the task of future employment once the selectees left the CCC to go into private industry. During my conversation with General Lewis B. Hershey—former director of Selective Service, it was indicated that the former CCC enrollee was a far better soldier during World War II than was the ordinary draftee. This was made possible because, "of their past experience which included discipline, the ability to work as part of a unit, and their general immunity to communicable diseases." The important aspect of General Hershey's testimony is that we should always recall that this was a by-product of the CCC and never a stated goal, for during the entire existence of the Civilian Conservation Corps, there was constant policing of its activities to make absolutely certain that no military training took place.

Other interviews have indicated that many of those men who successfully completed their Civilian Conservation Corps enrollment became a stable influence in their communities by finding a job related to their CCC experiences and staying with it through retirement. A most unique situation for boys with an average education of nine grades.

The success of the Civilian Conservation Corps as both a social engineering concept and a conservation tool depended heavily upon the following:

1. The grass roots of the Corps, i.e. the local CCC camp, was involved in local community projects and supervised by local experienced men.
2. The overall administration of the camp was controlled by the Army.
3. A single director was responsible for Corps policy.
4. We placed the youth in camps that allowed them to progress at their own speed without the stigma of social and economic conditions that were quite often repressive in their home community—That is to say—in the CCC all youth were created equal.

From 1933 through 1942, over 3.1 million young men in 2,600 separate camps passed through the rolls of CCC. Through personal observation and data on hand at the National Archives, Library of Congress and the Roosevelt Library at Hyde Park, it has been ascertained that approximately 40% of these young men continued to work in the jobs that they were trained for while in the Civilian Conservation Corps or jobs related to their CCC experience. Today the Departments of Interior and Agriculture indicate that there is over 100 billion dollars worth of work available in our national forests and parks. The major problems these Departments face are:

A. They do not have the funds to institute such a program.
B. They do not have the manpower to institute such a program.
C. Funding of anything other than the most necessary of projects requires extensive legislation.

The Civilian Conservation Corps could provide the most pressing of these Departments needs—that of manpower—at a cost of a fraction of what the same manpower would cost on the open market, and at the same time provide extensive skill training and on-the-job training as well as basic education to hundreds of thousands of young men and young women in a minimum period of time.

It should be noted that from the month of March, 1933 through the month of July, 1933 over 235,000 young men were initiated into the CCC and work was begun on projects of major interest to the nation. All that is required to repeat the success of 1933 is strong legislation and a leader who feels the immediacy of the problem. Combined together, it is entirely posssible to have working in our national forest 500,000 young people within six months of the reenactment of the CCC legislation.

WHAT DID THE NATION GAIN FROM THE CIVILIAN CONSERVATION CORPS?

Primarily the nation gained work done, forests opened, parks developed, trees planted, topsoil saved, watersheds developed and future national assets accumulated. The total cost of the CCC for those nine years was less than 2.3 billion dollars. But in the main personal areas, the CCC produced 3.1 million young men who understood the work ethics, who had learned skills that many are still using today, and provided long-term employment to many local people in communities most affected by the lack of a solidified job market.

Numerous discussions with labor leaders and educators as well as past CCC supervisors, enrollees and camp commanders convinces one that a revitalized program could succeed and be highly beneficial to the nation and to the individuals involved if the following criteria were met:

1. That there be no restrictions as to education, race, creed, or financial standing of the selectees involved.

2. That the work period could be reduced from an eight hour day to a six hour day with the additional two hours set aside for job training, (the six hours should consist of definite work projects).

3. That an apprenticeship program be developed that would take the top 10–15 percent of the CCC rolls after one year and enroll them in a more prolonged program of training, either subsidized directly by the federal government or subsidized indirectly by tax credits to both the employer and employee.

4. That the accepted practice of allotments be re-instituted along the lines of the 1930 allotment program with the exception that those selectees whose families are currently on welfare be allowed to send $100 a month home to their families and their families would be cut only $50 from their current welfare payment. The selectees whose families are not on welfare would be given their allotment as a bonus at the end of their tour of duty.

The fourth and final criteria is important for the psychological welfare of the worker, the worker's family and certainly of the community as a whole.

On my interview trip to Seattle, Washington in January of this year (1977) I was informed by the management of the Weyerhaeuser Corporation that over the next 3 to 4 years thousands of new jobs would be available in the paper industry. (The exact number was left open but estimates ran from 70,000 to 100,000.)

It was pointed out, however, that the vast majortiy of these jobs would be of the non-promotable variety—non-promotable in this instance means the employee would be paid hourly and that few of these employees would be promoted beyond the grade of foreman—such as timber cutting, logging, tree planting and forest thinning operations. It should be added that these jobs were created by management in order to guarantee their future supply of raw material and that each year, the Forest Products Industry plants hundreds of thousands of additional acreage so that the number of new jobs should increase over the next few years.

In the area of skilled labor the Forest Products Industry is already facing a shortage of mechanics and heavy machine operators. It is hoped that a CCC type program would act as a showcase for forest work and that many future employees would come from this area.

In conclusion, we, as a nation, can ill afford to waste our most valuable asset—our youth. We must make every effort to provide a long-term, on-going program of training so that 40 years from now our chilren and our grandchildren can enjoy the benefits of our actions just as we are now enjoying the benefits of the positive action taken by our parents.

Thank you.

J. C. TRIPLETT.

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